GOVERNMENT OF INDIA
PLANNING COMMISSION

APPRAISAL AND PROSPECTS
OF THE
SECOND FIVE YEAR PLAN

MAY, 1958

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This Memorandum on the Appraisal and Prospects of the Second Five Year Plan was submitted by the Planning Commission to the National Development Council which met on the 3rd and 4th May, 1958.

The Council considered the question of the total outlay to be undertaken in the public sector during the period of the Plan in the light of the progress made during the past two years and the steps taken to raise additional resources. It was decided that the total outlay should be maintained at Rs. 4,800 crores. In view, however, of the assessment of resources made by the Planning Commission, the Council considered that the projects and programmes to be undertaken within the ceiling of Rs. 4,800 crores should be divided into two parts. Part (A) of the Plan involving a total outlay of Rs. 4,500 crores should include besides projects and programmes directly related to increase in agricultural production, "core projects" and projects which have reached an advanced stage and other inescapable schemes. The remaining schemes should be included in Part (B) of the Plan with a total outlay of Rs. 300 crores. Part (A) of the Plan would represent the level of outlay upto which, on the present assessment of resources, commitments might be entered into for the rest of the plan period. Projects in Part (B) of the Plan could be undertaken to the extent to which additional resources became available. The list of projects to be included in the two parts of the Plan would be settled after discussion between the Planning Commission and the Central and State Governments. In working out the distribution, care should be taken to ensure that the needs of the less developed areas were given due consideration and that high priority was given to social services and the development of the Community Development movement. There should be no undue rigidity in the working of the Plan and the Central Ministries and States may make minor adjustments in the allocations within the overall ceilings.

It was agreed that the Centre and the States should endeavour to raise resources to the maximum extent possible through additional taxation, mobilising small savings and achieving economies in Plan and non-Plan expenditures.

The Council stressed the fact that the level of outlay which could be undertaken would depend in a large degree on the success achieved in increasing agricultural production. Local participation and community effort must be enlisted on the largest scale possible in support of agricultural programmes such as the full utilisation of the available irrigation potentials and the adoption of improved practices especially in areas which have irrigation and assured rainfall and intensive efforts should be made to reach every family through the village panchayat and the village co-operative.

May 6, 1958.

MEMORANDUM
ON THE APPRAISAL AND PROSPECTS
OF THE
SECOND FIVE YEAR PLAN

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INTRODUCTION

In May 1956, when the National Development Council considered the draft of the Second Five Year Plan, it was realised that the success of the Plan would depend on the fulfilment of certain essential conditions. These were:

(1) a substantial increase in agricultural production;

(2) a steady increase in domestic savings;

(3) external assistance for meeting the foreign exchange gap on account of the Plan;

(4) maintenance of a stable price level, fair both to producers and to consumers; and

(5) efficiency of administration and, in particular, the efficient utilisation of assets and resources created under the First and the Second Plans.

These conditions are closely inter-connected and are even more important today than they were when the Plan was drawn up.

During 1957-58, the shortage of foreign exchange resources presented a pressing problem. The salient features of this problem are presented in the Economic Survey for 1958-59 and in the paper on the Fall of Foreign Exchange Reserves which was placed before Parliament. As explained in these papers, it became necessary not only to distinguish certain projects which called for substantial amounts of foreign exchange as the "core", but also to consider the possibility of adjusting allocations for different sectors and to examine afresh the size of the Plan. With the drawing up of the Development Plan for 1958-59, it has become possible for the Planning Commission to review the achievements of the first two years and the targets for the third year, and also to estimate the likely trends and requirements for the last two years of the Plan. The results of the reappraisal are brought together in this document. This is intended to be a draft for the consideration of the National Development Council and its conclusions are to be regarded as tentative.

The two years just ended have been a period of achievement as well as of strain. It is now seen that to fulfil a plan of the magnitude of the Second Five Year Plan calls for an effort greater and more arduous than had been previously estimated, owing to unavoidable additional expenditures incurred in directions not orginally envisaged and increases in internal and external prices. The review attempted here marks an important stage in the execution of the

Second Five Year Plan. If the goals now set out, which are well within the capacity of the country, are to be fully achieved, it is imperative that there shall be a marked intensification of the efforts to increase agricultural production and to mobilise the internal resources of the country.

The targets for the third year of the plan have been determined already in a preliminary way. Each State should review for itself how, through more efficient implementation and greater public participation, the targets can be improved upon. This review has to be related necessarily to the resources already allotted, but it is proposed that for practical measures for the most rapid utilisation of the irrigation potential already developed such additional resources as may be essential should be provided.

April 26, 1958.

PLAN OUTLAY AND RESOURCES

1. ECONOMIC BACKGROUND

A strain on resources, both internal and external, has been felt continuously since the commencement of the Second Five Year Plan. Wholesale prices had already begun to rise before the Plan commenced, and the upward trend continued until August 1957, the price index for that month being 112 as compared to 89 in May 1955, 98 in March 1956 and 108 in December 1956. Undoubtedly, the level of prices in the first half of 1955 was unduly low. Nevertheless, it is evident that the rise in prices of some 14 per cent between April 1956 and August 1957 was indicative of the growing inflationary pressures within the system. The balance of payments situation also took a sharply adverse turn about April 1956, the current account deficit over the eighteen months from April 1956 to September 1957 aggregating to a total of Rs. 591 crores. These trends were symptomatic of the growing imbalance between the resources available and the demands on them.

2. That the implementation of the Second Five Year Plan was likely to generate pressures in the economy which would need watching was fully recognised in the Plan itself. The Second Plan envisaged an acceleration of investment programmes which called for mobilisation of domestic resources on a much larger scale than was necessary for the First Plan, it also postulated external assistance of a sizeable order. It was also stressed that the realisation of the estimates of financial resources put forward in the plan depended upon substantial increases in productivity, coupled with continued austerity in consumption; the need for special effort to secure a large increase in food production was emphasised in this context.

3. Various factors, some internal, some external, combined to heighten the stresses and strains in the system earlier than was expected. In the closing years of the First Plan, food production receded from the high level of 1953-54; the index of national income at constant prices increased by less than 4 per cent between 1953-54 and 1955-56 from 116·0 to 120·5; on the other hand, the bulk of the step up in development expenditures under the Plan occurred during the latter part of the Plan, the rate of such expenditure in the last two years of the Plan being about double the rate in the first two years. The bulk of the deficit financing of the First Plan period

also occurred in these years. Money supply with the public which had declined by Rs. 214 crores during 1951-53 and had risen by only Rs. 29 crores in 1953-54 went up by Rs. 127 crores in 1954-55 and by another Rs. 264 crores in 1955-56. Scheduled bank credit recorded an increase of 22 per cent in 1955-56. In retrospect, it is evident that there was thus a considerable build-up of inflationary pressures just before the Second Plan began.

4. In this context, the publication of the Second Plan with its admittedly high targets of investment—both in the public and in the private sector—created a psychological climate favourable to a further spurt in investment. This, coupled with the liberalisation of import policy geared to the increasing requirements of industrial development was a material factor in causing the strain on the balance of payments, besides exerting an upward pressure on domestic prices.

5. Inflationary pressures were on the uptrend in 1955 and the first part of 1956 in most major countries of the world. This, together with the Suez crisis, also aggravated the difficulties in the Indian economic situation.

6. These developments raised the cost estimates of some of the projects in the Plan. Some of the initial financial provisions in the Plan were insufficient. A few new projects of high priority were also accepted for inclusion in the Plan after it was formulated. Altogether, therefore, it was soon clear that the financial resources required for completing the Plan would be significantly higher than the total of Rs. 4800 crores envisaged initially.

7. The question of reappraising the Plan in the light of these developments, more especially the serious depletion of the country's foreign exchange reserves has been engaging the attention of the Planning Commission for a considerable time past. While this examination was being undertaken, and various measures—which have begun to prove effective—were being taken to correct the situation, it was evident that any reappraisal of the Plan and its requirements would have to take into account both external and internal resources. The object of this Memorandum is to assess the progress made in the first two years (1956-57 and 1957-58) towards the implementation of the Plan, and to attempt, in the light of experience of these years and of the provisions made in the Central and State budgets for the Plan for 1958-59, an appraisal of the prospects for the next two years together with the effort required for fulfilling the essential objectives of the Plan.

2. PLAN OUTLAYS

8. While, as mentioned earlier, the cost estimates of some of the projects in the Plan have gone up and the financial outlays required to meet the physical targets in the Plan would be correspondingly larger, the ceiling of Rs. 4800 crores in financial terms has been kept unchanged. This has necessitated a reallocation of outlays as between the major heads of development.

The following table shows the original and revised Plan allocations corresponding to this final ceiling.

TABLE 1

Original and Revised Allocations

(Rs. crores)

	Original				Revised			
	Centre	States including union territories	Total	Per cent of total	Centre	States including union territories	Total	Per cent of Total
	1	2	3	4	5	6	7	8
1. Agriculture and Community Development	65	503	568	11·8	65	503	568	11·8
2. Irrigation and Power	105	808	913	19·0	90	770	860	17·9
3. Village and Small Industries	80	120	200	4·2	60	140	200	4·2
4. Industries and Minerals	667	23	690	14·4	857	23	880	18·4
5. Transport and Communications	1203	182	1385	28·9	1175	170	1345	28·0
6. Social Services	394	549	945	19·7	321	542	863	18·0
7. Miscellaneous	43	56	99	2·0	37	47	84	1·7
TOTAL	2559	2241	4800	100·0	2593	2207	4800	100·0

9. This is the broad picture of plan outlays corresponding to the unchanged financial ceiling of Rs. 4800 crores. Industries and minerals absorb Rs. 190 crores more than the allocation proposed in the Plan. The factors which have necessitated this increase are dealt with in the next section. With the plan ceiling unchanged, the larger provision necessary for industry and minerals necessitates a reduction elsewhere. This, as may be expected, is a difficult task for almost every sector of the economy needs more investment. Given the limitation of resources, the cuts are inevitable and an attempt has been made to spread them over other heads. The reductions of Rs. 53 crores under irrigation and power, Rs. 40 crores under transport, Rs. 82 crores under social services and Rs. 15 crores under miscellaneous take into account the progress of expenditure in the first two years and provide, broadly speaking, for what would appear as fairly satisfactory levels of outlay under these heads. The essential emphasis in the Plan being on industrialisation, corresponding transport facilities have to be provided for. The cut under transport and communications is, therefore, nominal. The allocations for agriculture (including community development) and for village and small industries have been kept unchanged in view of the high priority for these programmes in terms of food production and employment. A break-up of the revised allocations alongside the original allocations is given in columns 2 to 7 of Annexure I at the end.

10. These reallocations necessitated by the increased cost of the industrial programmes in the Plan raise the total allocation for the Centre from Rs. 2559 crores to Rs. 2593 cores—that is, by Rs. 34 crores. The corresponding alteration in the allocation for States is distributed as follows: irrigation and power (—) Rs. 20 crores; village and small industries (+) Rs. 20 crores; transport and communications (—) Rs. 18 crores; social services (—) Rs. 7 crores, miscellaneous (—) Rs. 9 crores.

3. OUTLAY AND ITS FINANCING IN 1956-57 AND 1957-58

11. The outlay on the plan in 1956-57 and in 1957-58 in terms of 'likely actuals' is given in the table below, together with the financing pattern. The financing of plan outlays as per the budget estimates and revised estimates for these years is set out in Annexures II and III.

TABLE 2

Plan Outlay and its Financing in the First Two Years

(Likely Actuals) (Rs. crores)

	1956-57 (Likely Actuals)			1957-58 (Likely Actuals)			Total for the first two years		
	Centre	States	Total	Centre	States	Total	Centre	States	Total
	1	2	3	4	5	6	7	8	9
I. *Plan Outlay*	342	293	635	500	361	861	842	654	1496
II. *Domestic Resources*									
(*a*) Balance from current revenues	140	—1	139	95	55	150	235	54	289
(*b*) Railways' contribution	34	..	34	45	..	45	79	..	79
(*c*) Loans from the Public	78	63	141	68	4	72	146	67	213
(*d*) Small savings	40	19	59	15	40	55	55	59	114
(*e*) Unfunded debt and misc. capital receipts	—11	—3	—14	—72	47	—25	—83	44	—39
TOTAL (*a*+.........*e*)	*281*	*78*	*359*	*151*	*146*	*397*	*432*	*224*	*656*
III. *External Assistance*	38	..	38	100	..	100	138	..	138
IV. *Total resources including external assistance*	*319*	*78*	*397*	*251*	*146*	*397*	*570*	*224*	*794*
V. *Central assistance*	—159	159	..	—210	210	..	—369	369	..
VI. *Resources after allowing for Central assistance*	*160*	*237*	*397*	*41*	*356*	*397*	*201*	*593*	*794*
VII. *Budgetary deficit*	*182*	*56*	*238*	*459*	*5*	*464*	*641*	*61*	*702*

NOTE:—Figures of Plan outlay at the Centre shown above are inclusive of outlay in Union Territories. Aggregate outlay (actual) in respect of Union Territories for these two years is estimated at Rs. 18 crores.

12. For 1956-57, it will be seen, the aggregate plan outlay by the Centre and the States is estimated at Rs. 635 crores. This was financed by Rs. 359 crores of budgetary resources including taxation, loans, small savings and other capital receipts, Rs. 38 crores of external resources and Rs. 238 crores of deficit financing. The shortfall in States' outlay was larger relatively to their budget provisions, mainly because of their pre-occupation with States' re-organisation, but partly because of inadequacy of resources.

13. For 1957-58, the 'likely actuals' of expenditure on the Plan are estimated to add up to Rs. 861 crores. The step-up of Rs. 226 crores resulted in an increase in deficit financing of an identical amount from Rs. 238 crores in 1956-57 to Rs. 464 crores in 1957-58.

4. OUTLAY AND ITS FINANCING IN 1958-59

14. For 1958-59, the Central and State budgets provide for a plan outlay of Rs. 1,000 crores to be financed from Rs. 448 crores of internal resources, Rs. 325 crores of external assistance and Rs. 227 crores of deficit financing. Table 3 gives the details regarding resources for the plan outlay as budgeted, and as they might actually turn out. Allowing for a shortfall of Rs. 40 crores in outlay and some shortfall on the resources side, the year may end up with deficit financing of the order of Rs. 215 crores.

TABLE 3

Plan Ontlay and its Financing in 1958-59

(Budget Estimates and Likely Actuals)

(Rs. crores)

	Budget Estimates			Likely Actuals		
	Centre	States	Total	Centre	States	Total
	1	2	3	4	5	6
I. *Plan Outlay*	*608*	*392*	*1,000*	*582*	*378*	*960*
II. *Domestic Resources*						
(*a*) Balance from current revenues	52	88	140	70	80	150
(*b*) Railways' Contribution	48	..	48	50	..	50
(*c*) Loans from the public	125	12	137	180	65	245
(*d*) Small savings	40	60	100			
(*e*) Unfunded debt and misc. capital receipts	25	−2	23			
TOTAL (*a*+.........*e*)	*290*	*158*	*448*	*300*	*145*	*445*
III. *External assistance*	325	..	325	300	..	300
IV. *Total resources including external assistance*	*615*	*158*	*773*	*600*	*145*	*745*
V. *Central assistance*	−209	209	..	−209	209	..
VI. *Resources after allowing for Central assistance*	406	367	773	391	354	745
VII. *Budgetary deficit*	*202*	*25*	*227*	*191*	*24*	*215*

Figures of Plan outlay at the Centre shown above include outlay in Union Territories Actual outlay in respect of Union Territories is expected to turn around Rs. 12 crores.

15. Over the first three years of the plan, as the following table indicates, plan outlay will have been around Rs. 2456 crores, Rs. 1394 crores at the Centre, Rs. 1032 crores in the States and about Rs. 30 crores in the Union Territories. This leaves a balance of Rs. 2344 crores of plan outlay to be seen through in the last two years of the Plan; Rs. 1191 crores at the Centre, Rs. 1105 crores in the States and Rs. 40 crores in the Union Territories. In other words, more than 50 per cent. of the five-year outlays in the States and the Union Territories taken together would remain to be incurred in the last two years of the Plan.

TABLE 4

Plan Outlay and its Financing in the First Three Years

(Rs. crores)

	Centre	States	Total
I. *Plan Outlay*	1,424*	1,032	2,456
II. *Domestic Resources*			
(*a*) Balance from current revenues . .	305	134	439
(*b*) Railways' contribution . . .	129	..	129
(*c*) Loans from the public small savings and other capital receipts, ...	298	235	533
TOTAL (*a*+......*c*)	*732*	*369*	*1101*
III. *External Assistance*	438	..	438
IV. *Total resources including external assistance* .	*1,170*	*369*	*1539*
V. *Central Assistance*	(—)578	578	..
VI. *Resources after allowing for Central assistance*	*592*	*947*	*1,539*
VII. *Budgetary deficit*	*832*	*85*	*917*

*This is inclusive of outlay in respect of Union Territories estimated at Rs. 30 crores.

5. PROGRESS ON RESOURCES

16. It is necessary to assess with some care the trends in resources mentioned above, to form a judgment on the adequacy or otherwise of available resources relatively to the needs of the rest of the Plan, and to indicate the extent to which, through further effort, these resources could be increased. The outlay incurred in the first three years will, on the basis stated earlier, amount to a little over 50 per cent. of the projected total of Rs. 4800 crores over the five-year period. To finance Plan outlays of this order, external assistance will have amounted roughly to Rs. 438 crores and deficit financing will have been about Rs. 917 crores (*vide* Table 4 above), the balance representing the contribution of taxation, loans, small savings, etc.

17. It is evident that despite the considerable tax effort of the last two years, the resources available for the Plan have not been coming up to requirements. 1957-58, the year in which the biggest tax-effort was made, was also the year of the heaviest budgetary deficit. As Table 2 indicates, domestic budgetary resources in that year are estimated to have been some Rs. 62 crores lower than in 1956-57, mainly because of the decline in receipts from market loans. With an increase in external assistance by Rs. 62 crores, the net position was, as mentioned earlier, that the increase in plan outlay over the previous year had to be financed by an equal increase in deficit financing. For 1958-59, a considerable improvement in loans as well as small savings is postulated. This, together with an estimated increase of some Rs. 200 crores in external assistance should bring down deficit financing by Rs. 250 crores as compared to that in 1957-58, in spite of an increase of Rs. 100 crores or so in plan outlay. The striking feature of the resources position over these years is that the balance available from current revenues for financing the Plan has remained more or less static around Rs. 140-150 crores. The paragraphs that follow attempt an appraisal of the tax effort made at the Centre and in the States so far, and of the claims on current revenues which have absorbed a significant proportion of this tax effort.

6. ADDITIONAL TAXATION: CENTRE AND STATES

18. Since the beginning of the Second Plan, the objective of taxation policy has been to reorientate the tax structure to the needs of developmental planning. In 1956-57, a number of tax changes were made at the Centre along the lines suggested by the Taxation Enquiry Commission. Further measures of taxation were announced in September and November 1956. The total yield from the tax measures of 1956-57 was estimated at Rs. 55 crores for the year and Rs. 81 crores for a full year thereafter. The Central budget for 1957-58 aimed at a further widening and deepening of the tax base. The yield from the additional taxation imposed was estimated at Rs. 93 crores for the year and at about Rs. 107 crores in a full year. With the subsequent concessions granted, and considering that the yield of the wealth tax and of the railway passenger fares tax has turned out to be smaller than was forecast initially, the additional tax receipts for the year were about Rs. 73 crores and might be placed at Rs. 85 crores for a full year. The tax changes in the 1958-59 budget are not expected to make any material change in the resources position, the gift tax, the adjustment in estate duty and the higher excise on cement etc. being offset by the reduction in the excise on cotton textiles.

19. The aggregate yield from the measures of additional taxation adopted so far by the Centre is estimated at Rs. 725 crores over the five-year period. This is an improvement of Rs. 500 crores over the tax target suggested originally in the Plan (*viz.* Rs. 225 crores). The details of the Centre's taxation measures in the first three years are set forth in Annexures IV, V and VI.

20. In the States, the additional taxation of 1956-57 was estimated to yield Rs. 8·7 crores that year—Rs. 12·4 crores in a full year. For 1957-58, the corresponding estimates are Rs. 11·9 crores and Rs. 20·2 crores. For 1958-59, as against the tax effort of Rs. 20 crores envisaged by the State Governments while formulating their plan proposals for the year, the measures proposed in their budgets are expected to yield Rs. 14 crores. For the first three years of the Plan, additional taxation in the States has been about Rs. 79 crores; the yield of these measures over the five-year period should be around Rs. 173 crores. This is Rs. 52 crores below the target of Rs. 225 crores set in the Plan. Annexures VII and VIII give the details headwise and Statewise of the tax measures adopted.

21. Taking the Centre and the States together, the five-year yield of the additional tax measures adopted in these three years thus works out at Rs. 900 crores, which, in itself, meets fully the target of Rs. 450 crores in the Plan *plus* the uncovered gap of Rs. 400 crores.

22. All this tax effort has, however, not provided resources for the Plan; a large part of it has been absorbed by other demands; defence, non-development expenditures, and development expenditure outside the Plan. This will be seen if we consider the balance from current revenues made available for financing the Plan, the balance being calculated after providing for all the non-plan items.

23. The Centre's contribution from current revenues was estimated in the Plan at Rs. 420 crores—Rs. 252 crores at the 1955-56 rates of taxation and Rs. 168 crores by way of the net proceeds of additional taxation (Rs. 225 crores *minus* Rs. 57 crores estimated as the share to be transferred to the States). On the basis of the data available in the budgets, the balance from current revenues utilised for the Plan adds up to Rs. 262 crores over the first three years. Allowing for some improvement in the actuals as compared to the revised estimates for 1957-58 and the budget estimates for 1956-57, the contribution of the Centre under this head for the first three years may be estimated at about Rs. 305 crores. Over the five years, the total contribution from current revenues might amount to about Rs. 465 crores. This means that despite the improvement in tax receipts by Rs. 500 crores over the original

plan target, the revenue resources available for financing the Centre's plan outlays are expected to show an improvement of only Rs. 45 crores as compared to the plan estimate.

24. This inadequacy of the Centre's resources for the Plan arises in the main because of the large transfer of resources under the Finance Commission's award, and the increase in defence outlays. The former amounts to Rs. 160 crores over the plan period, and the latter would account for a diversion from potential resources for the Plan of about Rs. 225 crores on the assumption that defence expenditure will remain for the rest of the plan period at about the same level as the budget estimates for 1958-59. In other words, some Rs. 385 crores of the new taxation at the Centre will have been absorbed by these two additional demands on the Centre. The States are also expected to get a larger share from the proceeds of Central taxes than was assumed in the Plan and in addition, some grants for raising the emoluments of low-paid employees. The continuing food subsidies (being met initially from the capital account and written back to revenues over a period) and some increases in non-development expenditure constitute a further draft on the Centre's resources. Thus, on balance, while a massive tax effort has been made in recent years, the original gap of Rs. 400 crores in resources still remains more or less uncovered.

25. The transfer of resources from the Centre to the States would, of course, make no difference to the overall resources position, if the outturn on the other resources in the States was up to expectations. In actual fact, however, the States' resources have also been under strain. The States had budgeted for plan outlays totalling Rs. 858 crores in the first two years; on present indications, the actual outlays will be about Rs. 654 crores. This substantial shortfall arose, as mentioned earlier, partly because of the administrative difficulties connected with the reorganisation of States, but, in part, it reflects the inadequacy of resources available.

26. The additional tax effort in the States so far is estimated to yield, over the five-year period, Rs. 173 crores; they have thus to raise another Rs. 52 crores to reach the original plan target. What matters, however, is not the amount of tax effort taken by itself but the contribution from revenues for financing the Plan. The States were expected to find Rs. 370 crores in all from this source. For the first three years of the Plan, this contribution will be about Rs. 135 crores and for the five-year period, at present tax rates, it will approximate Rs. 295 crores. In other words, in spite of the additional taxation with a probable yield of Rs. 173 crores over the five-year period that has so far been put through, the States'

contribution is expected to fall below the original target. This shortfall, it will be noticed, is in spite of the gain of Rs. 160 crores as a result of the Finance Commission's award and some improvement in receipts by way of share in some of the Centre's taxation.

27. The resources position in the States has turned out to be more difficult than was envisaged in the Plan. In terms of the estimates then made, the States were to find Rs. 98 crores from current revenues at pre-plan rates. Actually, in the first two years, the relative figures were *minus* Rs. 10 crores and *minus* Rs. 20 crores. Part of this decline was due to higher levels of 'committed' expenditure and part is attributable to an increase in non-development expenditure. With the data available it is difficult to work out with any precision an estimate of the increase in 'committed' expenditures, but certain items of increase in non-development expenditures can be mentioned as indicative of the broad position. The budget estimates of 1957-58 showed an increase of Rs. 40 crores in non-development expenditures over the previous year's estimate; of this, Rs. 17 crores was on account of debt services, Rs. 7 crores was for police, Rs. 5 crores for general administration and direct demands on revenue, and the rest was distributed over a number of items. Expenditures under developmental heads have also been rising, and a considerable proportion of this rise appears to be in respect of items not included in the Plan. It is difficult, because of the reorganisation of States, to assess the trends in States' expenditure by plan and non-plan categories over a number of years, but the point that emerges on the whole is that the gain to the States from the Finance Commission's award plus a part of the additional taxation they have adopted has been absorbed by expenditures that do not enter into the Plan. As against a contribution from revenues aggregating to about Rs. 550 crores, which the States should have been able to make on the basis of the initial estimates supplemented by the transfer of resources from the Centre, they might be able to contribute Rs. 350 crores if they reach their tax target of Rs. 225 crores. As will be seen later, it is vital that this target is reached—and, if possible, exceeded.

7. LOANS AND SMALL SAVINGS

28. On loans and small savings, as against the collections of Rs. 200 crores in 1956-57, the receipts in 1957-58 amounted to only Rs. 127 crores. The programme for market loans in 1957-58 had to be pruned in view of the stringency in the money market, and there was a decline in small savings in spite of efforts to intensify the small savings drive. The targets in respect of both these items are relatively high for 1958-59, Rs. 137 crores for loans and Rs. 100

crores for small savings, and the performance in the coming years will have to be even better if the plan targets in this respect are to be reached. The response to market loans depends upon a complex of factors: the supply of loanable funds, the pull of demands from the private sector, the yield-pattern of various types of investments, etc., but, broadly speaking, it would appear that the high level of demand for funds in the private sector accompanied by better yields has tended to reduce the flow into gilt-edged. The small savings drive has yet to reach down to the semi-urban and rural areas sufficiently to mobilise savings on the scale envisaged in the Plan.

8. INTERNAL RESOURCES: A SUMMING UP

29. Altogether, the budgetary resources of the Centre and States over the first three years are estimated at about Rs. 1,100 crores as compared to the five-year estimate of Rs. 2,400 crores, apart from the gap of Rs. 400 crores still to be covered. There is, therefore, a large leeway to be made if the resources under this head are to be brought up to the level required to finance an aggregate outlay of Rs. 4,800 crores.

30. The only other element in internal resources is deficit financing. We have seen that on present estimates, deficit financing in the first three years of the Plan is expected to exceed Rs. 900 crores. Although the upward trend in prices has been halted in recent months, the scope for further deficit financing is very limited. The inflationary impact of the heavy deficit financing in the first two years of the Plan was largely offset by the balance of payments deficits financed out of foreign exchange reserves. Now that the level of these reserves is near the minimum required for operational purposes, deficit financing hereafter must be reduced drastically.

9. EXTERNAL RESOURCES

31. So far the analysis has proceeded in terms of total outlays and total resources. But, external resources are a special problem. There are, in the short run, limits to the extent to which such resources could be enlarged through export earnings, and the attempt to cut down imports is apt, after a while, to react adversely on production and employment which it is the very purpose of developmental programmes to promote. For a while, foreign exchange reserves can help tide over balance of payments deficits, but before long, a country has no alternative but to adjust its expenditure of foreign exchange to what it can currently earn or borrow from abroad.

32. The Second Five Year Plan involved, even on the initial estimates, heavy foreign exchange expenditure; it provided for a relatively low level of food imports. These estimates have turned out to be on the low side. The foreign exchange cost of some of the projects in the Plan has gone up, and there have been additional demands on the country's foreign exchange resources, *e.g.* for larger food imports and defence. A major factor to be borne in mind in this connection is that several of the new industries started in recent years depend for maintaining their output levels on imported raw materials and components. The allowance made in the balance of payments estimates for such imports during the plan period has proved inadequate.

33. The stringent import policy adopted since early 1957 has slowed down the rate of drawal on foreign exchange reserves. But, the shortage of foreign exchange, it must be emphasised, is not a short-term phenomenon arising from some temporary disequilibrium in the system; it is related directly to the large and continuing needs of the developmental process itself. It follows that strict regulation of imports, together with a suitable phasing of the developmental programmes themselves will be necessary not only during the Second Plan but even beyond this period.

34. The current account deficits in the balance of payments totalled Rs. 591 crores over the period April 1956 to September 1957. The deficit for the half-year October 1957 to March 1958 has been of the order of Rs. 230 crores. The total drawing down of the Reserve Bank's foreign exchange assets since April 1956 to the end of March 1958 works out at Rs. 479 crores. In addition, the IMF credit of Rs. 95 crores has been used up. External assistance authorised since the Second Plan began and committed so far totals Rs. 679 crores. It is difficult to assess the future trend in the balance of payments and therefore the minimum gap in foreign exchange resources still to be filled. But, on broad calculations, the Second Five Year Plan appears likely to end up with an aggregate deficit of about Rs. 1,700 crores as compared to the original estimate of Rs. 1,100 crores. The further requirements of foreign exchange—over and above the amounts authorised but still to be utilised—might approximate Rs. 500 crores.

35. In view of the difficult foreign exchange situation, the allocations of available foreign exchange resources are being made in terms of the 'core' projects. Efforts to secure assistance from abroad have also been directed to meeting the needs of the 'core' projects, *i.e.* the steel plants, coal mining, railways, ports and certain power projects. These projects, it is felt, are vital from the

point of view of future development and should be seen through as a matter of first priority if the necessary foreign exchange resources could be raised. Details regarding the total as well as foreign exchange costs of these projects are given in Section II. It must, however, be mentioned here that as against the total foreign exchange cost of the 'core' projects amounting to Rs. 962 crores commitments of the order of Rs. 296 crores have yet to be made.

36. Some of the core projects are already in an advanced stage of execution and have to be completed as early as possible, so that their benefits do not get unduly delayed. In addition, projects linked up directly to external assistance have to be proceeded with, even if at a pace which might be considered less than the technically most desirable. In the context of these demands, the attempt to keep down imports has necessitated cuts on imports of raw materials, components and ancillaries needed for the maintenance of the economy. The stocks of such raw materials and components with producers have gone down, and there are, obviously, limits beyond which it would be unwise to push ahead with new investment and fresh installations without providing for the full utilisation of capacity already built up.

10. OUTLOOK ON RESOURCES

37. In the light of the trends reviewed above, we may now consider the outlook on resources for the rest of the plan period. For completing an outlay of Rs. 4,800 crores, the balance of resources required in the last two years of the Plan is Rs. 2,344 crores, which is just a little less than one-half of the five-year total. This is no easy task, especially as deficit financing in the first two years has been heavy and has now to be kept down to the minimum inescapable.

38. The following table indicates, on the assumption of a continuance of more or less the present scale of effort, the likely availability of resources under various heads in the last two years of the Plan against the estimated results for the first three years.

TABLE—5

Outlook on Resources

(Rs. crores)

	Likely actuals for the first three years of the Plan				Estimates for the last two years	Total 1956-61
	1956-57	1957-58	1958-59	Total for three years	1959-60 & 1960-61	
I. *Domestic Budgetary Resources*						
(*a*) Balance from current revenues	139	150	150	439	320	759
(*b*) Railways' contribution	34	45	50	129	121	250
(*c*) Loans and small savings	200	127	217	544	440	984
(*d*) Unfunded debt and Miscellaneous Capital receipts	(—)14	(—)25	28	(—)11	40	29
TOTAL (a+....d)	359	297	445	1101	921	2022
II. *External Assistance*	38	100	300	438	600	1038
III. *Deficit Financing*	238	464	215	917	283	1200
IV. *Total: Resources-Outlay*	635	861	960	2456	1804	4260

On the basis, broadly, of the first three years' trends and taking into account some improvement in receipts under loans and small savings, the resources available for the two years 1959-60 and 1960-61 may be placed at Rs. 1804 crores as compared to the requirements of Rs. 2344 crores. This, it may be noted, already assumes external assistance of Rs. 300 crores for each of the two years.

39. Only brief comments on the main items of the table above seem necessary. The balance from current revenues is estimated at Rs. 150 crores for each of the years, 1957-58 and 1958-59. Allowing for normal increases in tax yields, and assuming that non-plan expenditures do not record any significant rise, an expectation of Rs. 320 crores from this source in the next two years would appear reasonable. The contribution of the railways has been rising steadily over the first three years of the Plan. The estimates in the table above for the next two years of the Plan postulate a step-up in this contribution to Rs. 60 crores each year as compared to Rs. 50 crores in 1958-59. The receipts from loans and small savings totalled only Rs. 127 crores in 1957-58. An improvement of Rs. 90 crores or so has been assumed for 1958-59. For the years 1959-60 and 1960-61, credit might be taken for a total of Rs. 440 crores under these two heads

combined. Under unfunded debt and other miscellaneous heads the total for the first three years was *minus* Rs. 11 crores. This item is a net total of a large number of items, the outturn of which is liable to large fluctuations. We may assume that the net inflow under this head will be perhaps Rs. 40 crores in the next two years. The total of domestic resources on this basis comes to Rs. 921 crores, or an average of Rs. 460 crores a year as against the annual average of Rs. 367 crores for the first three years of the Plan and the estimated availability of Rs. 445 crores in 1958-59. It would hardly be realistic to assume any larger increases in internal resources on the basis of the current effort at resource mobilisation.

40. As regards external assistance, a total of Rs. 600 crores for the last two years of the Plan is assumed. This may be compared with the total availability of Rs. 438 crores over the first three years. The five year total of external assistance on these assumptions comes to Rs. 1038 crores, which is Rs. 238 crores more than was envisaged in the initial financing scheme for the Plan.

41. Deficit financing in the first two years of the Plan was about Rs. 702 crores. If the deficit in the current year can be kept down to Rs. 215 crores, the total for the three years would be Rs. 917 crores. Considering that the Plan originally envisaged deficit financing of Rs. 1200 crores, we might take credit for further deficit financing of Rs. 283 crores in the remaining two years. Strictly speaking, in view of the present high level of prices, there is little scope for continued deficit financing hereafter. That the economy has been able to absorb deficit financing of the order of Rs. 700 crores in the first two years of the plan period is accounted for mainly by the large import surpluses financed from drawing down of foreign exchange reserves. The scope for further drawing down of these reserves is now very small; in fact, it would be desirable to start building up these reserves again in the coming years in view of the sizeable foreign exchange liabilities that will have to be met as from 1960-61 by way of interest and repayment of capital in respect of the loans that have been raised abroad to finance the Plan. Further commitments on internal resources have hereafter to be made with due regard to the very limited scope for deficit financing in the coming years.

42. Briefly, then, the resources listed above aggregate to Rs. 1604 crores for the remaining two years of the Plan; they add up to Rs. 4260 crores for the Plan period as a whole. This shortfall in resources, obviously, cannot be met by further deficit financing; nor is it practical to rely on more external assistance. The gap has to be covered, to the extent possible, by further effort to raise re-

sources through taxes, loans and small savings and through economies in non-plan expenditure.

43. The imperativeness of the fullest effort in these directions is self-evident. A pruning of the Plan to the level of resources indicated above, *viz.* Rs. 4260 crores, is not only undesirable; it presents very great practical difficulties. The decision to adhere to the financial ceiling of Rs. 4800 crores in spite of the increased cost of the various projects in the Plan has, as Table I earlier shows, necessitated a readjustment of allocations in favour of industries and minerals to the detriment of some of the irrigation and power programmes and of social services. If, in view of the resources position, the Plan outlay cannot be raised above Rs. 4260 crores, there will have to be a larger cut on social services. This would be undesirable from the point of view of maintaining a reasonable balance in the structure of plan allocations. The Planning Commission is, therefore, of the view that, at a minimum, the level of outlays to be actually incurred must not be allowed to fall below Rs. 4500 crores.

44. The problem, then, is to find additional internal resources of the order of Rs. 240 crores. The following are the main lines along which, in the Planning Commission's view, this effort can and has to be undertaken:—

	(Rs. crores)
Additional taxation	100
Loans and Small Savings	60
Economies in expenditure and collection of arrears of taxation as well as loans due	80
TOTAL . . .	240

45. It will be necessary to work out a well-articulated scheme for securing additional resources of this order, since, for reasons already indicated, commitments cannot now be made which carry the danger of exceeding the ceiling mentioned on deficit financing. *Prima facie*, difficult though the task is, it is one that can, with determination, be accomplished. The paragraphs below outline the broad lines of endeavour.

46. *Additional taxation*:—The scope for additional taxation at the Centre is, if anything, very limited. The effort already undertaken has been large, and the current rates of direct as well as indirect taxation are high. The problem for the immediate future is to see how the various changes in tax structure which have been adopted with a view to enlarging the tax base and reducing the scope for tax evasion work out in practice, and to adapt and improve

upon the system in a way that ensures a fair share to the public exchequer without impairing the incentive on the part of the taxpayer to work and to save. The Centre should, however, aim at raising Rs. 40 crores by additional taxation in the next two years.

47. The additional taxation raised so far by the States is expected to yield Rs. 172 crores over the plan period. This is Rs. 53 crores below the original plan target (apart from any contribution towards meeting the gap of Rs. 400 crores). The States have gained Rs. 160 crores over the five-year period as a result of the Finance Commission's award. But, in spite of this, their contribution to the Plan from current revenues is, on present trends expected to fall below the original plan target of Rs. 370 crores. It is suggested that the States should agree to raise Rs. 60 crores by way of additional taxation in the remaining period of the Plan.

48. The following table shows the yield from additional measures of taxation adopted by the States so far, together with the five year targets accepted when the Plan was formulated.

TABLE 6

Yield from measures of additional taxation in the first three years.

(Rs. crores)

		Yield from measures adopted in the first three years		Targets as set out in the Plan Report
		1956-57 to 1958-59	Five year yield	
1.	General sales tax	39·6	83·2	112·0
2.	Tax on Motor spirit & Diesel oil	2·9	7·0	
3.	Land Revenue	4·0	9·6	37·0
4.	Irrigation rates			11·0
5.	Betterment levy	0·8	2·2	16·0*
6.	Agricultural Income Tax	3·3	7·5	12·0
7.	Electricity rates and duties	3·4	8·4	6·0
8.	Tax on Motor vehicles (including tax on passengers and goods)	5·3	13·1	10·0
9.	Stamp duties and registration etc.	1·2	3·0	4·0
10.	State excise duties	1·8	3·6	..
11.	Others	17·0	35·3	17·0**
		79·3	172·9	225·0

*Exclusive of yield of Rs. 31 crores to be made available to the Centre for repayment of loans.

**Mainly represents local property taxes.

It will be seen that as against an increase of Rs. 48 crores under land revenue and irrigation rates, the expected increase over the five-year period comes to only Rs. 9·6 crores. The yield from betterment levies was expected to be Rs. 47 crores (Rs. 31 crores to be made available to the Centre by way of repayment of loans and Rs. 16 crores to be utilised for the States' own plans). As against this, the estimates of the likely yield over the plan period given by the States in the course of their discussions with the Commission in December-January last, add up to Rs. 6 crores. In fact, from the measures taken so far, a yield of only Rs. 2 crores is expected. All States, except two, have passed the necessary legislation, but the assessment and collection of betterment levy has hardly begun except in one or two States. There would also appear to be possibilities of securing increased resources by improvements in the administration of sales tax. These or other possibilities need to be explored in full. The Planning Commission has been in correspondence with the States on this subject. After preliminary scrutiny of the data that the State Governments sent to the Commission, discussions might be arranged with the States with a view to working out concrete proposals for raising the resources required to ensure the fulfilment of the outlay target of Rs. 4500 crores suggested above.

49. The out turn of public loans depends upon the state of the capital market and the relative pulls of demand on the funds coming into the market. 1957-58 was a difficult year from this point of view, but there has been some improvement in the situation in recent months. The estimates given in Table 5 pre-suppose that this improvement will continue through the remaining period of the Plan. On small savings, there is scope for substantially higher collections than in the first two years of the Plan. The small savings movement has to be organised on a national scale and it has to reach progressively to new savers in the semi-urban and rural areas. With effort on these lines it should be possible to secure an additional Rs. 60 crores under loans and small savings. The necessary drive in respect of small savings has to be organised by the States.

50. Another Rs. 80 crores will, on this reckoning, have to be raised through economies in non-plan expenditure and through speedier collection of tax overdues as well as overdues in respect of taccavi loans. The Centre should, it is suggested, aim at a curtailment of Rs. 40 crores in non-plan expenditure and the target for the States should be about the same. Meticulous economy in respect of non-development expenditures, avoidance or reduction to a minimum of development expenditure outside the Plan and prompt collection of the arrears of taxation and of loans are capable of re-

leasing resources of the order of Rs. 80 crores for the Plan. An item deserving of special examination in this context is construction. The estimate of the cost of buildings in the plan period was Rs. 800-900 crores roughly. It has gone up by 20-25 per cent as a result of the rise in certain items of cost, so that the total might now come to Rs. 1000-1200 crores. It is essential to effect utmost economy in this respect and, given careful pruning, it should not be difficult to effect a significant saving.

51. Altogether, then, the proposal is that—unless the National Development Council takes the view that larger effort than indicated above is feasible and will be made—the outlay target for the Plan should be taken at Rs. 4500 crores. This itself requires a firm decision that the resources required to reach this level will be raised. The scheme outlined above, *viz.* Rs. 100 crores to be raised by additional taxation, Rs. 60 crores through loans and small savings (mainly the latter) and Rs. 80 crores through reductions in expenditure and collection of overdues is intended to indicate the broad line of approach. The necessary details for implementation will have to be worked out separately.

52. The following table sums up the outlay and resources position, for the next two years—given the additional effort outlined above—and for the five-year period as a whole as compared to the scheme formulated when the Plan was made.

TABLE 7

Outlook on Resources

(Rs. crores)

	1956-57 to 1958-59	1959-60 and 1960-61	Total 1956-61 as now envisaged	Total as in Plan
I. *Budgetary Resources*				
(*a*) Balance from current revenues	439	460	899	1200*
(*b*) Contribution of Railways	129	121	250	150
(*c*) Loans and small savings	544	500	1044	1200
(*d*) Unfunded debt and other capital receipts (net)	(—)11	80	69	250
TOTAL (*a*+*d*)	1101	1161	2262	2800
II. *External Assistance*	438	600	1038	800
III. *Deficit financing*	917	283	1200	1200
IV. *Total—Resources-Outlay*	2456	2044	4500	4800

*Rs. 800 as per original scheme plus Rs.400 gap to be filled mainly through taxation.

11. PATTERN OF ALLOCATIONS AND OUTLAYS

53. The pattern of allocations to be followed in order to keep the outlay to Rs. 4500 crores is set out in columns 11 to 13 in Annexure I. The allocations shown are tentative. They will be finalised in consultation with the Ministries concerned after the National Development Council approves the resources estimates and the corresponding outlay ceiling. The broad changes proposed may be summarised as follows:—

TABLE 8

Allocations and Outlays by Major Heads of Development

(Rs. crores)

	Allocations as originally made in the plan	Per cent of total	Revised allocations (to accomodate the higher cost of some projects within the ceiling of Rs. 4800 crores)	Per cent of total	Outlays now proposed to correspond with the resources position	Per cent of total
	1	2	3	4	5	6
1. Agriculture & Community Development . . .	568	11·8	568	11·8	510	11·3
2. Irrigation & Power .	913	19·0	860	17·9	820	18·2
3. Village and Small Industries .	200	4·2	200	4·2	160	3·6
4. Industries & Minerals .	690	14·4	880	18·4	790	17·5
5. Transport and Communications	1385	28·9	1345	28·0	1340	29·8
6. Social Services . . .	945	19·7	863	18·0	810	18·0
7. Miscellaneous	99	2·0	84	1·7	70	1·6
TOTAL .	4800	100·0	4800	100·0	4500	100·0

54. It will be seen from the above that in view of the resources position, even as fortified by the further effort suggested above, there will have to be a pruning of outlays all along the line. The expenditure on industries and minerals will have to be reduced from the level of Rs. 880 crores envisaged so far to Rs. 790 crores, and a small cut will also have to be imposed on transport and communications. Programmes relating to industrial and mineral development and those in the field of transport and communications are interlinked, and, altogether, considering the basic priorities in the Plan and the commitments already made, it is hardly possible to impose any further cuts here. There will, of course, have to be some staggering of outlays on the projects in the early stages of execution. These two groups of programmes might, on present estimates, get about 47 per cent of the total outlay of Rs. 4500 crores as compared to about 43 per cent in the original Plan. In absolute terms, the outlay will still be larger by Rs. 55 crores than was initially provided for in the Plan. The corresponding reductions elsewhere will have to be spread over the other heads taking into account the progress of expenditure so far and the primacy of food production.

55. Readjusting the plan outlay to the level of Rs. 4500 crores is, obviously, going to be difficult. But, commitments have to be kept down to this level in view of the fact that considerable effort will be required to bring the resources up to Rs. 4500 crores. It is particularly important in this context to note that in the absence of possibilities of larger domestic resources being firmly established, an attempt to let outlays exceed this limit appears certain, under present conditions, to involve a commitment to resort to deficit financing even beyond the limit of Rs. 1200 crores—a course of action which must be scrupulously avoided. The crucial question is how and to what extent the available resources can be enlarged further. The assessment of past trends and of the outlook for the coming years attempted above indicates both (a) the great need for still further effort and (b) the practical problems of attempting this. The Planning Commission feels, in particular, that in the interest of balanced development, social services and food production programmes need larger outlays than could be provided on present expectations. If more resources are forthcoming, these sectors of the Plan should, therefore, receive high priority in the matter of further allocations.

56. In reviewing the original allocations for different sectors under the Plan, care was taken to ensure, as far as possible, that the fields of development such as agriculture, village and small industries and social services, which lie mainly in the States, were

affected as little as possible. In view, however, of the limitation of resources, which, as discussed earlier, can be brought upto Rs. 4,500 crores with a measure of effort, the allocation pattern will alter. The following table sums up the position regarding outlays for States (including Union Territories):

TABLE 9

Allocations and Outlays for State Plans

(including Union Territories)

(Rs. crores)

	Original plan allocation	Per cent	Revised plan allocations with total outlay of Rs. 4800 crores	Per cent	Outlays proposed to correspond with resources	Per cent
1. Agriculture and Community Development . . .	503	22·4	503	22·8	456	22·3
2. Irrigation & Power . . .	808	36·1	788	35·7	757	37·0
3. Village and small industries .	120	5·4	140	6·3	105	5·1
4. Industries and Minerals .	23	1·0	23	1·0	15	0·7
5. Transport and Communications	182	8·1	164	7·4	163	8·0
6. Social Services . .	549	24·5	542	24·6	512	25·0
7. Miscellaneous . . .	56	2·5	47	2·1	40	1·9
TOTAL .	2241	100·0	2207	100·0	2048	100·0

12. OUTPUT AND EMPLOYMENT

57. It is difficult at this stage to estimate the difference in output and employment that the adjustments mentioned above in plan outlays will make to the initial targets, for this depends upon a variety of factors including the success of the food production drive, the levels of investment activity in the private sector, the availability of imports sufficient to sustain a rising level of production, etc. Broadly speaking, it would appear that the industrial component of the Plan—and especially the 'core'—will, it is hoped, come through fairly well. So also the programmes in the field of transport and communications. In some respects, the development of social services will fall short of the initial expectations and there

will be some slowing down on the new irrigation projects. The development of power will be inadequate relatively to the rapidly growing needs of the economy. An attempt is made in the second part of this document to give as clear a picture as can at present be furnished on the more important aspects of development in each sector.

58. As regards employment, the data available for judging past trends as well as estimating the likely trends hereafter are still far from adequate. On certain calculations made in the Planning Commission, it appears that the implementation of the Plan has resulted in the creation of about two million job opportunities outside agriculture in the first two years, and about one million of the labour force should find employment opportunities in the course of the current year. It will be recalled that the Plan envisaged additional employment for about 7·9 million outside agriculture and about 1·6 million being absorbed in agriculture itself. With the increase in the costs of various projects it was estimated that the employment potential of an outlay of Rs. 4800 crores in the public sector, with private sector outlays more or less according to the plan, would come down to about 7 million jobs outside agriculture. The estimate of such employment opportunities corresponding to an outlay of Rs. 4500 crores in the public sector is 6·5 million. These estimates are very rough, but they indicate that the investment effort in the economy is still not upto the mark for ensuring employment sufficient to absorb the annual additions to the labour force. But it is only through increased savings that investments can be financed, and the experience of the first two years shows that the savings effort in the country is not yet commensurate with the minimum needs of the economy in terms of employment opportunities.

13. THE ROLE OF FOOD PRODUCTION

59. It is not possible within the limits of this Memorandum to discuss in detail the various factors that lie behind the inadequacy of resources relatively to the needs of the Plan. The financing scheme accepted at the time the Plan was made had a gap of Rs. 400 crores. and there have been other demands on the resources both of the Centre and of the States which have added to the strain that was, in any case, expected. The level of investment in the private sector was also high in the early phase of the Plan, and the acute stringency that developed in the money market reacted unfavourably on the loan operations of Government. But, behind the inadequacy of financial resources lies the major limiting factor to developmental effort, *viz.*, the food production. High domestic prices as well as the large import requirements are related in part to the insufficient

response of food production to the pressure of demand. It is to the extent that success in this regard can be secured that the rate of investment in the economy—and hence the expansion of employment opportunities—can be stepped up. Considerable irrigation potential has been built up in the last few years, but the utilisation of this potential has lagged behind. Considerable resources devoted to the Plan are not yet bearing fruit. This cannot but limit further effort. The Planning Commission wishes to stress in this context the need for the fullest utilisation of the irrigation facilities that are already available. What is needed is a well-organised effort in all the directions indicated in the Plan to increase food production in the interest both of internal and of external resources and, over a period, of developmental effort itself.

ANNEXURE I
SECOND FIVE YEAR PLAN
REVISED PLAN ALLOCATIONS AND ANTICIPATED OUTLAYS

(Rs. crores)

Head of Development	Five Year Plan Allocations (Original)			Five Year Plan Allocations (Revised)			Anticipated outlays for 1956-59			Anticipated outlays for 1956-61		
	Total	Centre	States	Total	Centre	States	Total	Centre	States	Total	Centre	States
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agricultural Production	82	10	72	94	10	84	40	4	36	90	9	~~81~~
2. Minor Irrigation	66	3	63	96	3	93	44	2	42	92	3	89
3. Land Development	22	5	17	22	5	17	11	3	8	19	4	15
Agriculture	*170*	*18*	*152*	*212*	*18*	*194*	*95*	*9*	*86*	*201*	*16*	*185*
4. Animal husbandry, dairying and milk supply	56	5·8	50	36	6	30	17	2	15	33	4	29
5. Forests & soil conservation	46	6	40	36	6	30	16	2	14	32	4	28
6. Fisheries	12	3·8	8	10	3	7	3	..	3	9	3	6
7. Warehousing, marketing and cooperation	47	4	43	40	4	36	18	2	16	32	4	28
8. Miscellaneous	10	0·6	9·5	7	1	6	3	..	3	6	1	5
Agricultural Programmes	*341*	*38*	*303*	*341*	*38*	*303*	*152*	*15*	*137*	*313*	*32*	*281*
9. N.E.S. & C.D. Programmes	200	12	188	200	12	188	87	2	85	170	7	163
10. Village panchayats	12	..	12	12	..	12	8	..	8	12	..	12
11. Local development works	15	15	..	15	15	..	14	14	..	15	15	..

1	2	3	4	5	6	7	8	9	10	11	12	13
I. *Agriculture and Community Development*	*568*	*65*	*503*	*568*	*65*	*503*	*261*	*31*	*230*	*510*	*54*	*456*
12. Multipurpose Projects*	..	..	..	..	..	..	146	7	139	248	..	248
13. Irrigation	381	..	381	376	..	376	111	..	111	188	..	188
14. Power	415	..	415	400	..	400	193	..	193	321	..	321
15. Flood Control & Border Projects	95	95	..	65	55	..	27	27	..	47	47	..
16. Investigation & Research	9	9	..	6	6	..	2	2	..	4	4	..
17. Public Cooperation in Irrigation Schemes	1	1	..	1	1	..	..	..	..	0·2	0·2	..
18. Centres Share in D.V.C.†	12	..	12	12	..	12	..	..	..	12	12	..
II. *Irrigation and Power*	*913*	*105*	*808*	*860*	*72*	*788*	*479*	*36*	*443*	*820*	*63*	*757*
III. *Village and Small Industries*	*200*	*80*	*120*	*200*	*60*	*140*	*91*	*48*	*43*	*160*	*55*	*105*
20. Large & Medium Industries	617	596	21	790	769	21	395	387	8	705	692	13
21. Mineral Development	73	71	2	90	88	2	25	25	..	85	83	2
IV. *Industries and Minerals*	*690*	*667*	*23*	*880*	*857*	*23*	*420*	*412*	*8*	*790*	*775*	*15*
22. Railways	900	900	..	896·5	896·5	..	539	539	..	896·5	896·5	..
23. Roads	246	82	164	221	70	151	127	40	87	219	69	150
24. Road Transport	16·5	3	13·5	11	2	9	8	1	7	10·5	1·5	9
25. Ports and Harbours	45·5	43·5	2	48·5	47	1·5	29	27·5	1·5	48·5	47	1·5
26. Shipping	47·5	46	1·5	56	54·5	1·5	29	28·5	0·5	56	54·5	1·5
27. Inland Water Transport	3	3	..	1	1	..	..	..	..	0·5	0·5	..
28. Civil Air Transport	43	43	..	43	43	..	28	28	..	43	43	..

1	2	3	4	5	6	7	8	9	10	11	12	13
29. Other Transport	7	6	1	5	4	1	3	2	1	5	4	1
30. Posts & Telegraphs	63	63	..	53	53	..	31	31	..	51	51	..
31. Other Communications	4	4	..	3·5	3·5	..	2	2	..	3·5	3·5	..
32. Broadcasting	9	9	..	6·5	6·5	..	4	4	..	6·5	6·5	..
V. *Transport and Communications*	*1,385*	*1,203*	*182*	*1,345*	*1,181*	*164*	*800*	*703*	*97*	*1,340*	*1,177*	*163*
33. Education	307	95	212	285	75	210	109	27	82	275	68	207
34. Health	274	90	184	255	75	180	107·5	39·5	68	245	75	170
35. Housing	120	47	73	100	27	73	40·5	5·5	35	84	20	64
36. Welfare of Backward Classes	91	32	59	83	24	59	35	12	23	72	19	53
37. Rehabilitation	90	90	..	90	90	..	53	53	..	90	90	..
38. Social Welfare, Labour & Labour Welfare & Educated Unemployment Schemes	63	42	21	50	30	20	15	9	6	44	26	18
VI. *Social Services*	*945*	*396*	*549*	*863*	*321*	*542*	*360*	*146*	*214*	*810*	*298*	*512*
VII. *Miscellaneous*	*99*	*43*	*56*	*84*	*37*	*47*	*45*	*18*	*27*	*70*	*30*	*40*
GRAND TOTAL	*4,800*	*2,559*	*2,241*	*4,800*	*2,593*	*2,207*	*2,456*	*1,394*	*1,062*	*4,500*	*2,452*	*2,048*

* Allocation for multipurpose projects has been distributed between Irrigation & Power.

† Expenditure on Centre's Share in D.V.C. is included under multipurpose projects.

NOTE 1.—Figures for States include Union Territories. Separate figures for the latter are as follows : Five Year Plan Allocations, Rs. 70 crores ; Anticipated outlays for 1956-59, Rs. 30 crores and Anticipated outlays for 1956-61, Rs. 60 crores.

NOTE 2.—For the revised allocations (columns 6 to 7) and anticipated outlays (columns 12 and 13) the figures for "Village Industries" are shown under the States; for 1956-59 , however, the outlay under this head is shown at the Centre (columns 9 and 10).

ANNEXURE II

PLAN OUTLAY AND ITS FINANCING IN 1956-57

(Budget Estimates, Revised Estimates and Likely actuals)

(Rs. crores)

	Budget Estimates			Revised Estimates			Likely Actuals		
	Centre	States	Total	Centre	States	Total	Centre	States	Total
	1	2	3	4	5	6	7	8	9
I.—*Plan Outlay*	*405*	*423*	*828*	*379*	*382*	*761*	*342*	*293*	*6*
II.—*Domestic Resources*									
(*a*) Balance from current revenues .	50	—23	27	102	—13	89	140	—1	139
(*b*) Railways' contribution . .	40	..	40	42	..	42	34	..	34
(*c*) Loans from the public . . .	100	44	144	78	63	141	78	63	141
(*d*) Small savings	52	8	60	45	19	64	40	19	59
(*e*) Unfunded debt and miscellaneous capital receipts	28	—15	13	50	—16	34	—11	—3	—14
TOTAL (*a*+..*e*)	*270*	*14*	*284*	*317*	*53*	*370*	*281*	*78*	*359*
III.—*External Assistance*	86	..	86	67	..	67	38	..	38
IV.—*Total resources including external assistance*	*356*	*14*	*370*	*384*	*53*	*437*	*319*	*78*	*397*
V.—*Central assistance*	—307*	307	..	—221	221	..	—159	159	..
VI.—*Resources after allowing for Central assistance*	*49*	*321*	*370*	*163*	*274*	*437*	*160*	*237*	*397*
VII.—*Budgetary deficit*	*356*	*102*	*458*	*216*	*108*	*324*	*182*	*56*	*238*

*Including ways and means advances estimated at Rs. 50 crores. Excluding this figure, the Central assistance would work out at Rs. 257 crores.

Figures of Plan outlay at the Centre shown above are inclusive of outlay in Union Territories. Actual outlay in respect of Union Territories is estimated at about Rs. 8 crores.

ANNEXURE III

PLAN OUTLAY AND ITS FINANCING IN 1957-58

(Budget Estimates, Revised Estimates and Likely actuals)

(Rs. crores)

	Budget Estimates			Revised Estimates			Likely Actuals		
	Centre	States	Total	Centre	States	Total	Centre	States	Total
I.—*Plan Outlay*	*531*	*435*	*966*	*540*	*402*	*942*	*500*	*361*	*861*
II.—*Domestic Resources*									
(*a*) Balance from current revenues	89	18	107	70	55	125	95	55	150
(*b*) Railways' contribution	49	..	49	40	..	40	45	..	45
(*c*) Loans from the public	69	30	99	68	4	72	68	4	72
(*d*) Small savings	54	25	79	20	40	60	15	40	55
(*e*) Unfunded debt and miscellaneous capital receipts	75	21	96	67	(—)1	66	(—)72	47	(—)25
Total (*a*+..*e*)	*336*	*94*	*430*	*265*	*98*	*363*	*151*	*146*	*297*
III.—*External Assistance*	150	..	150	105	..	105	100	..	100
IV.—*Total resources including external assistance*	*486*	*94*	*580*	*370*	*98*	*468*	*251*	*146*]	*397*
V.—*Central assistance*]	(—)238	238	..	(—)206	206	..	(—)210	210]	..
VI.—*Resources after allowing for Central assistance*	*248*	*332*	*580*	*164*	*304*	*468*	*41*	*355*	*397*
VII.—*Budgetary Deficit*	*283*	*103*	*386*	*376*	*98*	*474*	*459*	*5*	*464*

Figures of plan outlay at the Centre shown above are inclusive of plan outlay in Union Territories. Actual outlay in respect of Union Territories is estimated at about Rs. 10 crores.

ANNEXURE IV

Detailed estimates of yield from measures of additional taxation adopted at the Centre in 1956-57*

(Rs. crores)

	Yield in 1956-57	Yield in a full year
A.—*Measures included in the budget for 1956-57*		
1. *Income tax and Corporation tax*	9·6	9·6
(a) Upward adjustment of super tax rates	1·0	1.0
(b) Tax on registered firms	1·0	1·0
(c) Others—withdrawal of tax rebate in respect of undistributed profits of companies, super tax on dividends declared in excess of 6 per cent, tax on bonus issues and other changes in corporation tax.	7·6	7·6
2. *Changes in import duties*	1·0	1·0
3. *Export duties*		
Reduction of duty on tea	—1·0	—1·0
4. *Excise duties*	24·9	24·9
(a) Cotton cloth	14·6	14·6
(b) Vegetable non-essential oils	5·4	5·4
(c) Diesel oils and other fuel oils	4·5	4·5
(d) Art silk fabrics, soap and straw-board	0·4	0·4
5. *Changes in postal rates*	1·0	1·0
TOTAL OF A	35·5	35·5
B. *Measures adopted in September, 1956*		
Increase in the rates of excise duty on cotton cloth	15·5†	27·0†
C. *Measures announced in November, 1956*		
Capital gains tax, additional super tax on dividends declared in excess of 10 per cent, higher import & excise duties on certain items, increase in stamp duties in bills of exchange, etc.	3·0†	16·0
D. *Changes in export duties during the year*	1·0	3·0
GRAND TOTAL	55·0	81·5

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*Mainly on the basis of estimates as given by the Finance Minister at the time of announcement of the various measures.

†Rough estimates.

ANNEXURE V

Detailed estimates of yield from measures of additional taxation adopted by the Centre in 1957-58*

(Rs. crores)

	Yield in 1957-58	Yield in a full year
A.—*Measures included in the budget for 1957-58*		
1. *Income tax and Corporation tax*	8·8	8·8
(i) Lowering of taxation limit	5·0	5·0
(ii) Checking of evasion	5·0	5·0
(iii) Reduction in rates for earned income and raising of marriage allowance	—8·7	—8·7
(iv) Changes in taxation of companies	7·5	7·5
2. *Wealth tax*	9·0	12·5
3. *Import duties*	6·0	6·0
4. *Excise duties*	50·1	57·4
(i) Motor spirit	5·8	6·7
(ii) Diesel oil (refined)	1·7	1·9
(iii) Diesel oil (unspecified)	0·3	0·4
(iv) Cement	5·9	6·7
(v) Steel ingots	5·0	5·7
(vi) Sugar	16·2	18·6
(vii) Vegetable oils	2·8	3·1
(viii) Unmanufactured tobacco	5·3	6·1
(ix) Matches	5·4	6·2
(x) Paper	1·7	2·0
5. *Tax on Railway passenger fares*	4·8	9·2
6. *Changes in postal rates*	0·9	1·5
7. *Expenditure tax*	..	3·0
TOTAL	79·6	98·4
B. *Reduction of excise duty on cotton cloth in December, 1957*	—3·0†	—9·0†
C. *Changes in export duties during the year*	—4·0†	—4·0
GRAND TOTAL	72·6	85·4

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*On the basis of estimates given in the budget speech, after adjustment in the case of wealth tax and railway fares tax.

†Rough estimates.

ANNEXURE VI

Detailed estimates of yield from measures of additional taxation adopted by the Centre in 1958-59

(Rs. crores)

	Yield in 1958-59	Yield in a Full year
A. *Measures included in the budget for 1958-59*		
1. *Tax on gifts*	3·0	3·0
2. *Estate duty*		
Lowering of exemption limit and other changes	0·5	0·5
3. *Excise duties*	2·8	2·8
Cement	2·2	2·2
Cotton cloth (power looms)	0·8	0·8
Vegetable products	—0·2	—0·2
B. *Reduction in ecise duty on cotton cloth*	—6·0	—6·0
GRAND TOTAL	0·3	0·3

ANNEXURE—VII

Additional taxation in States—1956-57 *to* 1958-59

(Rs. crores)

	Yield in 1956-57	Yield in 1957-58			Yield in 1958-59				Total in 3 years	Yield in 5 years from measures of 3 years	Original Target 1956-61
		1956-57 measures	1957-58 measures	Total	1956-57 measures	1957-58 measures	1958-59 measures	Total			
	1	2	3	4	5	6	7	8	9	10	11
Source											
General sales tax	4·4	6·7	6·7	13·4	6·7	10.8	4·3	21·8	39·6	83·2	112·0*
State excise duties	0·2	0·2	0·5	0·7	0·2	0·5	0·2	0·9	1·8	3·6	..
Agricultural income tax	..	..	1·2	1·2	..	1·4	0·7	2·1	3·3	7·5	12·0
Land revenue & irrigation rates . .	0·1	0·1	1·0	1·1	0·1	1·9	0·8	2·8	4·0	9·6	48·0
Betterment levy	..	..	0·1	0·1	..	0·2	0·5	0·7	0·8	2·2	16·0‡
Electricity rates and duties	0·3	0·3	0·3	0·6	0·3	1·2	1·0	2·5	3·4	8·4	6·0
Tax on motor vehicles and on passengers and goods	0·3	0·3	0·8	1·1	0·3	1·5	2·1	3·9	5·3	13.1	10·0
Tax on motor spirit and diesel oil . .	0·3	0·3	0·4	0·7	0·3	0·8	0·8	1·9	2·9	7·0	*
Stamp duties & registration	..	..	0·3	0·3	..	0·5	0·4	0·9	1·2	3·0	4·0
Others	3·1	4·5	0·6	5·1	4·5	1·4	2·9	8·8	17·0	35·3	17·0
TOTAL . .	8·7	12·4	11·9	24·3	12·4	20·2	13·7	46·3	79·3	172·9	225·0$

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‡Exclusive of Rs. 31 crores to be made available to the Centre in repayment of loans.

*The target shown against general sales tax includes that for tax on motor spirit.

$This amount represents the target for the pre-reorganisation States. For the reorganised States the target would work out at about Rs. 221 crores.

Note : Information brought out in this statement may need revision in the light of later data being made available by the State Governments.

ANNEXURE VIII

Additional Taxation in States, 1956-57 to 1958-59

(Rs. crores)

	Yield in 1956-57	Yield in 1957-58			Yield in 1958-59				Yield from measures of first 3 years of Second Plan		Original Target 1956-61*
		From 1956-57 measures	From 1957-58 measures	Total	From 1956-57 measures	From 1957-58 measures	From 1958-59 measures	Total	In 3 years	In 5 years	
	1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	0·7	1·8	1·8	3·6	1·8	2·5	..	4·3	8·6	17·2	11
Assam	..	..	..	..	..	..	..	..	..	..	5·0
Bihar	0·1	0·1	0·6	0·7	0·1	1·3	2·6	4·0	4·8	12·8	27·0
Bombay	..	..	..	..	..	..	3·0	3·0	3·0	9·0	23·0
Kerala	..	..	2·1	2·1	..	2·6	0·7	3·3	5·4	12·0	9·0
Madhya Pradesh	..	..	1·6	1·6	..	1·9	1·3	3·2	4·8	11·2	23·0
Madras	0·6	0·6	1·5	2·1	0·6	2·3	1·2	4·1	6·8	16·0	13·0
Mysore	0·2	0·2	1·1	1·3	0·2	3·1	..	3·3	4·8	11·4	9·0
Orissa	0·2	0·2	0·5	0·7	0·2	1·7	1·7	3·6	4·5	11·7	8·0
Punjab	0·6	0·7	0·8	1·5	0·7	1·4	2·4	4·5	6·6	15·6	23·0
Rajasthan	0·8	0·8	1·0	1·8	0·8	1·0	0·8	2·6	5·2	10·4	9·0
Uttar Pradesh	3·8	6·0	0·5	6·5	6·0	1·0	..	7·0	17·3	31·3	46·0
West Bengal	1·7	2·0	0·2	2·2	2·0	1·0	..	3·0	6·9	12·9	15·0
Jammu and Kashmir	..	..	0·2	0·2	..	0·4	..	0·4	0·6	1·4	..
ALL STATES	8·7	12·4	11·9	24·3	12·4	20·2	13·7	46·3	79·3	172·9	221·0*

*Out of Rs. 225 crores for all States together, the target for the re-organised States works out roughly to Rs. 221 crores. The individual target shown here have not been discussed and finalised with the Governments of the re-organised States.

Note—Information brought out in this statement may need revision in the light of later data being made available by the State Governments.

II

ACHIEVEMENTS AND TARGETS

INTRODUCTION

The first part of this Memorandum presents a reassessment of internal and external resources for the Second Five Year Plan and the consequential changes in allocations and anticipated outlays in respect of different sectors. The object of this part of the memorandum is not so much to give a detailed account as to invite attention to the more important features of the developments which have taken place in different fields over the past two years, and to indicate some of the significant changes in targets which can be visualised at present.

In view of the preparatory work which preceded the Second Five Year Plan, two years from its commencement the country is much further ahead than was the situation at the corresponding date during the First Plan. With three years still in hand, and a growing understanding of the aims and problems of national planning, it is possible to remove such shortcomings in the implementation of the Plan as are mentioned in different sections of this review of Achievements and Targets.

In each field, there is scope for realising greater efficiency in execution. At all levels, this aspect calls for closer examination. Given proper assignment of tasks, constant supervision, continuous review and evaluation, and greater attention to the training of personnel and to co-ordination and team work between the various agencies concerned, the outlays provided for in the Plan can produce appreciably larger results than is commonly recognised. This is true of all fields of development and is especially true of the efforts to increase agricultural production and to ensure the efficient utilisation of irrigation potentials and other assets and resources which are brought into existence through the Plan.

1 AGRICULTURE AND COMMUNITY DEVELOPMENT

(a) AGRICULTURAL PRODUCTION PROGRAMMES

The progress of programmes relating to agricultural production was reviewed by the Standing Committee of the National Development Council in January 1958. In the paper submitted to the National Development Council, it was stated that the targets of production set for the Second Five Year Plan were the minimum required for its success and that it was essential to pursue the agricultural production programme with a great sense of national urgency. The review of agricultural production during the period 1949-50 to 1956-57 placed before the Council showed that the results had been highly uneven as between States and that in several cases they did not reflect adequately the large outlays incurred during recent years on agricultural production programmes. An increase of agricultural production by 2 to 2·5 per cent per annum, which has been so far achieved, is not sufficient to support a large plan of economic development. In particular, it was pointed out that:—

(i) There had not been enough concentration of effort on increasing yields per acre in irrigated areas and in areas with assured rainfall;

(ii) Progress in the utilisation of the irrigation potential created through major and medium irrigation schemes had not been satisfactory;

(iii) Minor irrigation, which was intended to be a programme undertaken mainly with popular support and making the maximum use of local manpower resources and local possibilities of irrigation, had tended to develop into a departmental programme with insufficient public participation. In national extension service and community project areas, the provisions for minor irrigation had not been adequately utilised and minor irrigation programmes in these areas needed to be coordinated much more fully with the Agriculture Departments' minor irrigation programmes;

(iv) The maintenance of a large proportion of local minor irrigation works, specially tanks, was in an unsatisfactory state;

(v) The implementation of the programme for setting up seed farms had to be expedited. It was specially important that multiplication of improved seed should be carried as early as possible to the village level and every village should have a plan for multiplication of seed to meet its requirements;

(vi) On account of the foreign exchange shortage, supplies of chemical fertilisers were bound to fall short of the demand which was itself increasing. It was essential that the gap should be filled through greater efforts in the direction of green manures and organic manures and other local manurial resources;

(vii) The crux of the problem of reaching every village and every family through the community development programme lay in the building up of village institutions—the panchayat and the co-operative—for undertaking village planning;

(viii) It was essential to link credit with agricultural production programmes. This had to be done essentially at the village level.

2. The Standing Committee of the National Development Council took stock of the agricultural situation and emphasised that the country could not afford to think in terms of importing foodgrains year after year and that a nation-wide campaign for carrying out the agricultural production programme embodied in the Plan was vital. The Committee noted that failure to utilise irrigation facilities wherever it had occurred, was due either to the canal system not being completed or to the smaller distributaries and field channels not being excavated or to agriculturists not being adequately assisted in adopting the new crop patterns through demonstration farms and other measures. It was decided that work still remaining to be done should be undertaken immediately and that amounts provided for agriculture and minor irrigation in national extension service and community project areas should be used for the construction of field channels and connected agricultural programmes. In these areas, it should be the primary responsibility of the project authorities to have village channels constructed through local voluntary labour. Outside these areas, State Governments should arrange for construction of field channels where the beneficiaries had not done so, recovery of the cost being spread over a reasonable period. In regard to the maintenance of existing minor irrigation works, the Standing Committee emphasised the importance of making full use of State legislation where it existed, under which village panchayats were enabled to enforce obligation on the beneficiaries for constructing and maintaining field channels and other works. Where such legislation did not exist, States were requested to enact the necessary legislation. The Standing Committee of the National Development Council stressed that the country had to make the best possible use of its existing assets and resources and that it was wasteful to spend large sums of money and then fail to derive full profit from them. This was true whether the schemes in question were large schemes or small local schemes.

3. Following the meeting of the Standing Committee of the National Development Council, the Planning Commission arranged for its Programme Administration Advisers to visit a number of States along with officers from the Ministries of Food & Agriculture, and Community Development. The States visited during the past three months include Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal. The reports of the Programme Administration Advisers have drawn attention in detail to the problems of utilisation of irrigation facilities in various States and contain specific recommendations for further action. These relate, in particular, to the following aspects:—

(i) construction of field channels and other ancillary works needed for irrigation;

(ii) speeding up localisation of areas to be irrigated from certain projects;

(iii) organisation of demonstration plots, introduction of appropriate patterns and guidance in irrigated cultivation;

(iv) introduction of legislation for making a compulsory charge from all persons whose lands are eligible for irrigation supplies;

(v) arrangements for seed multiplication at the village level;

(vi) intensification of the campaign for green manuring; and

(vii) expediting the production of improved seed on farms for which land has already been obtained and speeding up the entire programme for the setting up of seed farms.

These recommendations and the directives of the National Development Council have gained in urgency and importance from the fact that judged both by agricultural production and by the increase in production potential, the results over the first two years of Plan fall seriously short of the targets fixed for the plan period in 1956-57 after detailed consultation with the States.

4. For some years past, an attempt has been made to measure the extent to which agricultural production programmes are carried out in terms of the additional production potential which is built up during each year. Although there is no ready alternative to this concept, it suffers from certain limitations. Each of its components needs to be defined more clearly than has been so far possible and each of them calls for better statistical data than are yet available. It is customary to prepare estimates of additional production potential at the beginning of the year when the programmes are decided upon and to check them later on the basis of progress reports and

other returns regarding actual performance. Allowing for these limitations, it is estimated that during 1956-57, the total additional production potential which was built up was nearly 1·3 million tons and the additional production potential likely to be built up in 1957-58 was about 2·3 million tons. The estimates under different categories of agricultural programmes for these two years along with the Plan targets are given in the statement below:—

(Lakh tons)

Programme	Plan target	Achievement 1956-57	Anticipated achievement 1957-58
1. Major irrigation	30·2	1·7	2·7
2. Minor Irrigation	18·9	3·0	4·0
3. Fertilisers and manures	37·7	3·6	7·7
4. Improved seeds	34·0	1·7	2·0
5. Land development	9·4	0·9	1·7
6. Improved agricultural practices . . .	24·7	2·2	5·0
TOTAL . .	154·9	13·1	23·1

These estimates are based on information which has been obtained at different stages from the States concerned. They need to be gone over in greater detail in consultation with them. Nevertheless, the broad assessment they furnish can be relied upon. Data for 1958-59 are not yet fully available even in a preliminary form, but, on present estimates, it appears that the increase in production potential for foodgrains may be of the order of about 3 million tons. After closer examination of programmes included in the Annual Plan, means must be devised to improve upon this estimate through greater concentration of resources in areas with irrigation and assured rainfall where large increases are possible.

5. Seasonal conditions in some parts of the country for the last kharif harvest were not favourable. The following statement compares the areas and production for rice, as between the final estimate for 1957-58 and the partially revised estimate for 1956-57.

State	Area (000 acres)		Production (000 tons)	
	1957-58 (Final estimate)	1956-57 (Partially revised estimate)	1957-58 (Final estimate)	1956-57 (Partially revised estimate)
Andhra Pradesh	6,974	6,994	3,468	3,141
Assam	4,207	4,313	1,586	1,707
Bihar	12,215	12,307	2,198	3,728
Bombay	4,124	4,099	1,373	1,485
Jammu and Kashmir	353	463	162	214
Madhya Pradesh	9,664	9,674	2,093	3,273
Madras	5,605	5,538	3,134	3,103
Orissa	9,476	9,612	1,755	2,269
Punjab	788	733	296	277
Uttar Pradesh	9,637	9,531	2,284	2,286
West Bengal	10,771	10,846	4,185	4,573
Mysore	2,257	2,203	1,118	949
Rajasthan	169	230	22	86
Kerala	1,912	1,909	874	873
All India	79,027	79,320	24,821	28,282

It will be seen that on the information at present available rice production in 1957-58 will be over 3 million tons less than during the previous year. To some extent the shortfall may be made good by increased production of millets and even if the production for the rabi harvest is of about the same level as during the past year, there may be a sizable reduction in food production of over 2 million tons compared to 1956-57.

6. Against the Second Plan target of 9 million acres for minor irrigation, which is itself well below the potential that could be achieved if the manpower resources of each areas could be effectively brought into action, according to the data available, works completed during the first two years account for 3·5 million acres.

7. The number of seed farms established during 1956-57 was 343 against the plan target of 4185. During the second year of the plan 1416 seed farms were expected to be set up, but the number actually established is understood to be 1094. It is of the utmost

importance to complete the various operations on the seed farms for which land has been obtained, so that they begin to provide stocks of nucleus seed with the least delay. States have also been requested to give priority in the setting up of seed farms to areas which have irrigation or assured rainfall and where the principal crops grown are wheat and rice. As a rule for these two crops improved seeds are now available for the great majority of areas.

8. Difficulties in the supply of chemical fertilisers on account of shortage of foreign exchange have already been alluded to above. During the past six years, the consumption of fertilisers has increased from less than 3 lakh tons to about 9 lakh tons. The target which is to be achieved by the end of the Second plan is 18·5 lakh tons in terms of Ammonium Sulphate. It is not possible to meet the increasing demand for fertilisers. Two schemes for the intensive development of local manurial resources were introduced towards the end of 1957. During 1957-58, the programme extended to 748 national extension and community project blocks and 2023 Panchayat areas. More intensive work in this direction is imperative.

9. As stated earlier, information regarding the final production targets for 1958-59 is not yet available. On current estimates, it is expected that areas irrigated from major and medium irrigation schemes will amount to over two million acres and from minor irrigation schemes to about 2·5 million acres. With a view to expediting the programme for setting up seed farms, which has been handicapped by difficulties in the acquisition of land, it has been decided that the maximum amount of assistance for purchase of land may be raised from Rs. 500 per acre to Rs. 1500 per acre. It is essential that in 1958-59 work should be completed on those seed farms which were sanctioned in 1957-58 and that the further programme for setting up 1565 seed farms should be effectively carried out.

10. The following statement gives the outlay on agricultural production programmes during 1956-57 and 1957-58.

(Rs. crores)

	1956-57 Actuals	1957-58	
		Revised estimate	Anticipated outlay
Agricultural Production	6·4	16·4	13·0
Minor irrigation	13·6	16·0	15·2
Land development	3·2	4·1	3·7
TOTAL	23·2	36·5	31·9

For the three years 1956-59, it is reckoned that the total outlay on agricultural production programmes will be about Rs. 95 crores. With a view to extending larger support to agricultural production programmes it is proposed to increase the allocation for these programmes over the plan period from Rs. 170 crores to Rs. 212 crores. The main increases contemplated are for minor irrigation (Rs. 30 crores) and for other production programmes (Rs. 12 crores). These amounts are of course in addition to provisions included in the community development programme for agriculture.

(b) COMMUNITY DEVELOPMENT PROGRAMME

11. In 1956-57, 495 blocks and in 1957-58, 597 blocks were brought under the national extension scheme. During these two years, 440 blocks were converted from N.E.S. into community development blocks. In all, at the end of the second year of the plan, the community development programme served 276,000 villages with a population of 150 million. The total expenditure incurred under the programme during this period was about Rs. 53 crores.

12. The plan for 1958-59 has allotted Rs. 36 crores for the programme. The actual programme to be implemented is at present under consideration in the light of recommendations made by the Study Team for Community Development and National Extension Service appointed by the Committee on Plan Projects. The proposals under consideration envisage a rephasing of the programme originally approved under the Second Five Year Plan, so that instead of covering the entire rural area before the end of the current plan, 1075 development blocks will be taken up during the Third Plan, the last set of blocks being taken up in October, 1963. It is also proposed that the distinction between the national extension projects and community projects should be given up. Instead, it is proposed that each area should pass through two stages of development. In the first stage, which will last for five years and will be preceded by a pre-extension period of 9 months to a year devoted to agricultural works, the total outlay to be provided is Rs. 12 lakhs. For the second stage, which is also intended to last for five years, the schematic budget would provide Rs. 5 lakhs per block.

13. From the point of view of the fulfilment of the Second Five Year Plan and in particular, of its agricultural production targets, the contribution of the community development programmes depends on—

(a) the extent to which different development departments work together in an integrated manner through the common extension agency;

(b) the extent to which people's institution at various levels assume responsibility for preparing local programmes based very largely on the harnessing of local effort and resources; and

(c) the strengthening of the cooperative movement.

The realisation that in each of these three respects, the results have not gone as far as had been desired and led in recent months to a frank reappraisal of the entire programme and of the conditions to be secured if the community development movement is to succeed in making its due contribution to village development and to the mobilisation of all local manpower and other resources.

14. The allotment under the current plan of Rs. 200 crores is being maintained, although it is expected that the actual outlay may be somewhat smaller.

(c) OTHER AGRICULTURAL PROGRAMMES

15. With the object of securing balanced development and greater diversification in the rural sector, substantial amounts had been provided under the Second Plan for programmes other than those relating to agricultural production, minor irrigation and community development and allied programmes. Progress in the implementation of these programmes has been slower than was anticipated and it is now proposed to reduce the total allotment for the plan period for these programmes from Rs. 171 crores to Rs. 129 crores and to allocate a further sum of Rs. 42 crores in favour of programmes related directly to agricultural production, especially minor irrigation. After allowing for a reasonable margin for further development, the changes in allocations now proposed are as follows:—

(Rs. crores)

	Five Year Plan Allocations (Original)			Five Year Allocation (Revised)		
	Total	Centre	States	Total	Centre	States
Animal Husbandry, dairying and milk supply	56	5·8	50	36	6	30
Forest and Soil conservation .	46	6	40	36	6	30
Fisheries	12	3·8	8	10	3	7
Warehousing, marketing and cooperation . : .	47	4	43	40	4	37
Miscellaneous	10	0·6	9·5	7	1	6

2. IRRIGATION AND POWER

Under the Second Five Year Plan, irrigation and power development accounts for 19 per cent of the total outlay and for 36 per cent of the outlay in the States. The total outlay likely to be incurred in this sector by the end of 1958-59 amounts to Rs. 479 crores of which multi-purpose and irrigation schemes account for Rs. 257 crores, power projects for Rs. 193 crores and other schemes for Rs. 29 crores. The total outlay during 1956-57 was Rs. 150 crores; the anticipated actual for 1957-58 amount to Rs. 169 crores; and the plan provision for 1958-59 is Rs. 160 crores.

IRRIGATION

2. At the end of the First Plan, against a traget of 8·5 million acres, the irrigation potential amounting to about 6·3 million acres had been created. The actual area irrigated was, however, only a little over 4 million acres. From the point of view of the fulfilment of irrigation programmes under the Second Plan, two problems arose. The first was that the irrigation schemes carried over from the First Plan were found to require for their completion, larger sums than had been estimated. As schemes in progress were bound to receive higher priority, the irrigation benefits anticipated under the Second Plan from new schemes were likely to be deferred to some extent. The second problem concerned measures needed for the utilisation of irrigation facilities as they became available. The Second Plan itself had drawn pointed attention to this subject as will be seen from the extract below:

> "To obtain maximum results, benefits should accrue at each stage and there should be no time lag between the availability of benefits and their utilization. All inter-related activities should, therefore, be carefully co-ordinated. Before starting work on a project detailed investigations should be made and the scope of the works to be included in the programme clearly determined. Project reports, estimates and financial forecasts should be complete and changes in them should be necessary only for special reasons. Increases in estimates in a number of major projects in recent years have evoked adverse comment. Arrangements for financing should be settled in advance and the requirements of staff should be carefully worked out for different stages of each project, and steps taken for their placement at the appropriate time."

The lag in the use of irrigation facilities was greater in areas in which the existing legislation does not provide for a compulsory charge in respect of lands for which irrigation is available, whether or not the supplies are utilised. It has also been very marked in the case of tube-well irrigation and in respect of certain projects in the South and in the Eastern region.

In a number of projects the failure to utilise irrigation facilities has been due to the fact that sufficient attention had not been given to the construction of distributaries and field channels along with the provision of storage capacity and to such measures as the setting up of demonstration farms, introduction of new crop patterns and assistance to cultivators.

3. As against a target of additional irrigation of 12 million acres proposed in the Second Plan, the assessment of progress actually made shows that if the requisite funds are available, the additional irrigation achieved would be of the order of 10·4 million acres. The phasing of irrigation benefits now anticipated along with the original phasing under the Second Plan are shown below:—

(Million acres)

	Additional irrigation benefits under the Second Plan.	Additional irrigation benefits now anticipated
1956-57	2·0	0·68 (actuals)
1957-58	2·0	1·11 (anticipated)
1958-59	2·0	2·03 (estimated)
1959-61	6·0	6·56 (target)

4. For flood control schemes, the Plan made a provision of Rs. 60 crores of which about Rs. 12 crores were required for flood control portion of the Kosi and D.V.C. projects and about Rs. 48 crores were for other flood control schemes. The total outlay by the end of the third year of the Plan (for schemes other than the the D.V.C. and the Kosi) is expected to be Rs. 27 crores.

5. An important factor in accelerating the fulfilment of irrigation programmes, especially in relation to medium sized projects, is the progress made in the States in the investigations and preparation of schemes. To obtain the best results, irrigation programmes have to be conceived in an integrated and continuous manner. It is also necessary to study the possibilities of utilising water resources in each region as a whole taking into account both large and small schemes. Accordingly in March 1957 the Planning Commission suggested to State Governments that they should set up special investigation units under experienced personnel and assign to them tasks such as the location of areas requiring irrigation, assessment

of water resources available and of the needs of each region, determination and reconnaissance of possible project sites and the preparation of preliminary project reports. It was proposed that these investigation units should assess the water requirements of areas which needed irrigation and should determine which areas could best be served by minor irrigation schemes and which were best suited for contour bunding and dry farming. So far, nine States have set up investigation units. For the better implementation of the Second Plan as well as the preparation of the Third Five Year Plan, it is issential that all States should organise investigations on an adequate scale.

POWER PROGRAMMES

6. When the Second Five-Year Plan was drawn up, the long-term target of installed capacity to be achieved by 1965 was raised from 7 million kW proposed in 1950 to 15 million kW. Against this, the target of additional capacity for the Second Plan was 3·5 million kW of which 2·9 million kW was to be achieved in the public sector, 300,000 kW in the private sector and 300,000 kW in industrial plants providing for their own generating capacity. It was recognised that even with the fulfilment of this target, it would only be just possible to meet the anticipated demands from industrial and other users for which firm indications were already available. During the past two years, there has been a steadily increasing demand for additional power generation in a number of areas. Thus, in the DVC area, against a total requirement of 225,000 kW, it has been recently decided to increase generating capacity by 125,000 kW to meet the requirements of the railway electrification programme and of industries, and arrangements for securing the remaining capacity are under consideration. In the Delhi area in the very first year of the Plan it was found necessary to augment generating capacity by 50,000 kW.

7. Against a Plan provision for power projects of Rs. 427 crores (including the power portions of the multipurpose projects), the outlay during 1956-57 was about Rs. 75 crores and in 1957-58, according to the revised estimates, about Rs. 85 crores. The Plan for 1958-59 provides for Rs. 83 crores. Thus over the three years 1956-59, the total outlay is likely to be of the order of Rs. 240 crores. The total installed capacity likely to be added in the first three years is 770,000 kW, of which 178,000 kW were added in 1956-57 and 310,000 kW in 1957-58. Progress made in carrying out the power programmes is indicated in Annexure II which also specifies the more important schemes. The benefits realised so far are not commensurate with the expenditure incurred because, almost all the major schemes such as Bhakra-Nangal, Rihand, Koyna, Chambal,

DVC, Kundah, etc., on which the largest amounts have been invested, are scheduled to be completed in the later years of the Plan. Until the recent onset of foreign exchange difficulties, however, progress on various projects in the public sector was more or less upto schedule.

8. In the private sector, the benefits expected to be realised during the first three years of the Plan are of the order of 157,000 kW of which 150,000 kW are accounted for by the Trombay installation of Tata Power Company. Industrial projects like Neiveli, steel plants, Durgapur coke-oven-project and others which include power stations in their integrated programmes are making satisfactory progress but the power stations will be commissioned only in the later years of the Plan period.

9. The main factor which now affects the progress of power schemes is the difficulty in finding the required foreign exchange for importing heavy electrical equipment. It has to be noted that although some progress has been made in recent years in building up the manufacturing capacity of low voltage equipment, motors, transformers, etc., the country is dependent wholly on imports for the bulk of the equipment needed in implementing the power programme. On account of the slowing down of the Heavy Electrical Plant project dependence on imports is likely to continue beyond the current Plan. According to recent estimates power schemes included in the list of "core projects" require about Rs. 36 crores and other power schemes about Rs. 34 crores of foreign exchange. Besides these amounts, about Rs. 3 crores of foreign exchange are required each year for the maintenance and repair of the existing power plants.

10. From the point of view of foreign exchange, power schemes may be conveniently divided into four categories, namely, (a) schemes included in the list of 'core projects', (b) schemes which are nearing completion and for which most of the foreign exchange required has been committed, (c) schemes which have already been assured of external assistance, and (d) other schemes. Schemes in categories (a), (b) & (c) are listed in Annexure III.

11. Other projects included in the Second Plan for which arrangements for foreign exchange have not yet been made have been under careful consideration. It is realised that the postponment of any part of the approved power programme is likely to create a difficult situation towards the end of the present Plan and the beginning of the next. Efforts will be made to secure external assistance for as many of these schemes as possible.

12. While every effort is being made to proceed with the entire programme to the extent possible, in view of the delay that has already taken place in the ordering of equipment, benefits from a number of schemes are not likely to materialise before the end of the Plan. According to present anticipations, the actual realisation of benefits within the Plan period from projects in the public sector may be about 2·5 million kW. Private electricity undertakings will, it is expected, add a total generating capacity of 175,000 kW. With the addition of 300,000 kW of generating capacity in industrial establishments, which provide for their own power, the total installed capacity during the Second Plan period is expected to be nearly 3 million kW as against the original target of 3·5 million kW.

13. Satisfactory progress is being achieved in the construction of transmission and distribution lines included in the Plan. Out of a total target of 30,000 miles, 10,000 miles have already been constructed during 1956-57 and 1957-58. The Second Five Year Plan envisaged the electrification of about 10,000 villages and provided for a total outlay of Rs. 75 crores for this purpose. During the first two years of the Plan, 4500 villages have been electrified.

Annexure I

Statement showing additional irrigation benefits during the Second Plan ('000 acres)

Sl. No.	Name of State	1956-57 Actuals	1957-58 Actuals	1958-59 Antici-pated	Total for 1956-59	Targets for 1959-61	Total for 1956-61	Remarks
1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	8	1	1	10	477	487	
2.	Assam	3	9	4	16	..	16	
3.	Bihar	13	143	108	264	254	518	
4.	Bombay	8	2	4	14	821	835	
5.	Jammu and Kashmir	Nil	N.A.	N.A.	..	97	97	
6.	Kerala	45	..	..	45	173	218	
7.	Madhya Pradesh	7	7	18	32	198	230	
8.	Madras	24	120	44	188	80	268	
9.	Mysore	35	82	141	258	682	940	
10.	Orissa	89	108	131	328	612	940	
11.	Punjab	190	252	1,070	1,412	1,205	2,617	
12.	Rajasthan	22	94	152	268	695	963	
13.	Uttar Pradesh	189	126	171	486	650	1,136	
14.	West Bengal	48	161	183	392	590	982	
15.	U Territories	..	..	..	..	23	23	
	TOTAL	681	1,105	2,027	3,713	6,557	10,270	

Annexure II

Additions to installed capacity during the Second Five Year Plan

(Installed capacity '000 kW)

Sl. No.	Project Head of development power	Progress 1956-57	1956-58 1957-58	Plan 1958-59	Total for three years 1956-59	Estimate for 1959-61	Total for 1956-61	Benefit anticipated after 1961
1	2	3	4	5	6	7	8	9
	Andhra							
1.	Tungabhadra I stage	7	22	..	29	..	29	..
2.	Tungabhadra II stage Nellore	..	..	..	..	..	..	59
3.	Other schemes (Machkund, Ramagundam and Sileru)	12	37·5	..	49·5	48	97·5	120
	TOTAL	19	59·5	..	78·5	48	126·5	179
	Assam							
1.	Other schemes (Umtru and Umtyngar	..	8·4	..	8·4	6	14·4	..
	Bihar							
1.	Other schemes (Barauni)	..		..	..	30	30	..
	West Bengal							
1.	Other Schemes (Mayurakshi and Jaldakha)	4	..	..	4	..	4	17
	D. V. C. (Bihar & W.Bengal)							
	Panchet Hill	..	..	40	40	..	40	..
	Maithon	..	60	..	60	..	60	..
	Bokaro IV unit	..	..	..	..	75	75	..
	Durgapur Thermal Station	..	..	..	..	150	150	..
	Additions to D.V.C.	..	..	..	..	..	..	100/120
	TOTAL	..	60	40	100	225	325	100/120
	Bombay							
1.	South Gujerat	..	..	..	..	45	45	..
2.	Development of Southern Grid	..	..	..	..	60	60	
3.	Koyna	..	..	..	..	60	60	180

Additions to installed capacity during the Second Five Year Plan

Sl. No. Project / Head of development power	Progress 1956-58: 1956-57	Progress 1956-58: 1957-58	Plan 1958-59	Total for three years 1956-59	Estimate for 1959-61	Total for 1956-61	Benefit anticipated after 1961
Bombay (contd.)							
4. Other schemes (Saurashtra thermal stations)	6·3	3	..	9·3	49	58·3	..
TOTAL	6·3	3	..	9·3	214	223·3	180
Kerala							
Other schemes (Poringalkuṭhu-Neriamangalam, Panniar, Sholiar and Pamba)	8	16	8	32	45	77	184
Madhya Pradesh							
1. Korba	..	..	90	90	..	90	..
2. Chambal	..	..	..	..	69	69	23
3. Other schemes	15·5	9·1	..	24·6	35	59·6	50
TOTAL	15·5	9·1	90	114·6	104	218·6	73
Madras							
1. Periyar	..	..	105	105	..	105	..
2. Kundah	..	..	..	..	145	145	35
3. Other schemes (Madras Thermal Station extensions)	..	..	30	30	..	30	..
TOTAL	..	..	135	135	145	280	35
Mysore							
1. Tungabhadra (Left Bank)	..	..	..	..	27	27	..
2. Sharavati	..	..	..	..	..	..	142
3. Other schemes (Bhadra and Mysore's share of Tungabhadra Right Bank power station)	2	5	..	7	33·5	40·5	..
TOTAL	2	5	..	7	60·5	67·5	142
Orissa							
1. Hirakud stage I	24	99	..	123	37·5	160·5	..
2. Hirakud stage II	..	..	..	..	72·0	72·0	..
3. Other schemes (Orissa's share of Machkund)	5	..	..	5	21	26	..
TOTAL	29	99	..	128	130·5	258·5	

Additions to installed capacity during the Second Five Year Plan

Sl. No. Project Head of development power	Progress 1956-58 1956-57	 1957-58	Plan 1958-59	Total for three years 1956-59	Estimate for 1959-61	Total for 1956-61	Benefit anticipated after 1961
Punjab							
1. Bhakara Nangal	48	..	..	48	498	546	..
Rajasthan							
1. Other schemes	2·5	..	6	8·5	21·0	29·5	84
Uttar Pradesh							
1. Rihand	..	..	..	..	150	150	100
2. Yamuna	..	..	..	..	..	..	151
3. Harduaganj	..	..	..	..	60	60	..
4. Other schemes (Pathri Mau, Sohwal, Gorakhpur and Matatila)	13·8	55	..	68·8	30	98·8	..
TOTAL	13·8	55	..	68·8	240	308·8	251
Jammu & Kashmir							
1. Other schemes (Ganderbal & Mohora)	..	0·7	..	0·7	18·7	19·4	..
Delhi	..	6·0	6·0	12·0	38	50·0	..
Other Union Territories	..	1·8	..	1·8	2·5	4·3	..
Grand Total (State owned)	148·1	323·5	285	756·6	1826·2	2582·8	1245
Public Utility Licensees in the Electric Supply Industry	57	50	50	157	18	175	95
Selfgenerating Industrial Establishments	..	..	..	..	300	300	100
TOTAL	205·1	373·5	335·0	913·6	2144·2	3057·8	1440

NOTE.—The expression "other schemes" shown under each State refers to schemes which have a total outlay of less than Rs. 3 crores during the Second Plan.

ANNEXURE III

Projects included in core

1. Korba Thermal Station.
2. Khaperkheda—Akola extensions.
3. Hirakud Project—Stage II.
4. Lakkavalli (Bhadra) Project.
5. Transmission and distribution schemes for the proper and full utilisation of the power that may become available on the completion of the projects in progress.
6. Bhakra-Nangal Project.
7. Chambal Project.
8. Rihand Project.
9. Tungabhadra (Left Bank) Power Station.
10. Nariamangalam H.E. Project.
11. Thermal stations in Saurashtra.
12. Ganderbal & Mohora Power house.

Power projects which are nearing completion and for which most of the foreign exchange required has been committed

1. Machkund Project (Andhra).
2. Tungabhadra Power Project Stage I (Andhra).
3. Kandla Power Station (Bombay).
4. South Gujerat grid extensions (Bombay).
5. Poringalkuthu Project (Kerala).
6. Madras Plant extensions (Madras).
7. Periyar Project (Madras).
8. Hirakud I Stage (Orissa).
9. Projects in Mau, Sohwal, Gorakhpur, Manipuri (U.P.).
10. Development of thermal stations (Rajasthan).
11. Allahabad thermal station (Private Licensee), (U.P.).
12. Thermal station attached to the Coke-oven plant (West Bengal).

Power projects which have already been assured of external assistance

1. Umtru Project (Assam).
2. Mayurakshi Project (Bengal).

3. Ramagundam Thermal Scheme (Andhra Pradesh).
4. DVC Projects (Maithon, Panchet Hill, Bokaro IV unit, Durgapur).
5. Koyna Project (Bombay).
6. Kundah Project (Madras).
7. Delhi Thermal extensions.
8. Tatas Trombay Thermal Station (Bombay).
9. Neyveli Thermal Station (Madras).
10. Thermal Station of I.I.S.C.O. (West Bengal).

3. VILLAGE AND SMALL INDUSTRIES

As compared to a total provision of Rs. 50 crores (inclusive of Rs. 20 crores financed from the proceeds of the Handloom Cess) in the First Plan, the Second Plan provided Rs. 200 crores for village and small industries programmes. This includes Rs. 36·5 crores for handloom, Rs. 46 crores for small scale industries, Rs. 15 crores for industrial estates, Rs. 9 crores for handicrafts and Rs. 65 crores for khadi and village industries. The aim of the programmes is to build up a stable and efficient decentralised sector of industry which would provide increasing opportunities of employment and at the same time ensure an increase in the production of consumer goods especially those in local demand.

2. According to the new textile targets which were fixed in June 1956, cloth production was to be raised from 6,700 million yards to 8,400 million yards. Of the additional quantity, 1,000 million yards were allocated to the handloom industry, including 300 million yards to be produced from Ambar yarn and 700 million yards to be produced from mill yarn, and 200 million yards were to be obtained through the installation of 35,000 powerlooms in the handloom sector during the two years 1956—58. The target for handloom production from Ambar yarn was later revised to 150 million yards, each year's programme being considered with reference to the results achieved.

3. During 1956-57, handloom production amounted to 1,600 million yards, *i.e.*, 130 million yards above that in 1955-56. In 1957-58, the estimated production is about 1,650 million yards. The progress to date falls considerably short of what is required to achieve the target. Upto the end of 1957, the total quantity of cloth produced from Ambar yarn was only about 7·0 million yards and it does not appear that even the revised target of 150 million yards will be achieved. The production of traditional khadi has been increasing at the rate of about 5 million yards per annum above the base level of about 35 million yards. No specific target was fixed for khadi production. The achievement in regard to the installation of powerlooms has so far been insignificant.

Out of 62 sanctioned industrial estates, 11 had been completed in the first two years and another 19 are expected to be completed in 1958-59. For providing technical and marketing advice to small industries, 4 regional Small Industries Service Institutes, 12 major Institutes, 2 branch Institutes and 27 Extension Centres had been set up by the end of 1957-58. One more regional Institute, two major Institutes and another 33 Extension Centres will be set up during the course of 1958-59.

4. The total expenditure on village and small industries during the first two years of the Plan has amounted to about Rs. 59 crores and it is expected that by the end of the third year outlay in this sector will amount to Rs. 91 crores. Khadi and village industries account for about two-fifths of the expenditure, small scale industries and industrial estates for more than a quarter and handloom and powerlooms for about a fifth. The provision made in the first two annual plans was governed largely by the estimated capacity of the State Governments and the Centre to incur expenditure. In 1958-59, another factor which has assumed greater importance is the limited funds which the Centre and the State Governments could make available for the implementation of the programmes.

5. There are indications that in most of the States, as continuing schemes are implemented and new schemes initiated, not only will the funds provided in annual plans be utilised more fully but demands will be pressed for an increase in allocations. Some programmes like the industrial estates are in increasing favour and in respect of other programmes also as the initial administrative and organisational difficulties are overcome, the tendency is to accelerate the pace of activity. Judging from the present rate of progress the levels of expenditure in the last two years of the Plan period could register an appreciable rise over those in 1958-59 unless inhibited by inadequacy of funds.

6. For the handloom programme substantially larger annual outlays than were provided in the first three years would be needed if a target of 700 million yards of additional production from mill yarn is to be achieved. The Reserve Bank of India would in future meet most of the requirements of the handloom industry for working capital and to that extent the outlay from the cess fund would diminish, but expenditure on improvement of production techniques, marketing organisation and sales rebate will have to be increased. The programme for the installation of powerlooms in the handloom sector has made a halting start and it does not appear that the progress in the coming years will be rapid. The provision for small scale industries is likely to be utilised almost fully. Allocations to some of the States where the administrative and technical staffs have been strengthened for implementing the small industries schemes may have to be increased in the last two years. Commitments in respect of the industrial estates are being rapidly made by the States within the existing ceilings but the funds required for completing all the approved estates within the Second Plan period may not be available and quite a few estates may have to be carried over to the Third Plan period. Expenditure on handicrafts and

village industries will show a fairly large shortfall. On the other hand, expenditure on traditional khadi might well exceed the allocation and the total expenditure on Ambar Khadi may more than make up for the shortfall under village industries. Allocations for sericulture and coir are likely to be utilised to the extent of more than 80 per cent.

Altogether, if funds were available, an actual outlay of Rs. 170—175 crores could be achieved and if commitments are limited to Rs. 160 crores, the requirements of some programmes such as handloom, small scale industries and industrial estates might not be fully met.

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4. LARGE AND MEDIUM INDUSTRIES

The programme of industrial development in the Second Plan envisages an investment of the order of Rs. 1,094 crores in large scale industries in the public and private sectors. This is about 3½ times the investment of Rs. 293 crores realised in the First Plan. In terms of industrial production, the increase proposed in the Second Plan is about 49% as compared to 38% in the First Plan.

2. The expansion of basic industries like iron and steel, heavy engineering and machine building and heavy chemicals including nitrogenous fertilisers has been given the highest priority in the industrial programme for the Second Plan. Thus the development of capital and producer goods industries accounts for over 80% of the total investment on industries in the Second Plan. Next in importance to the expansion of these industries is the modernisation and re-equipment of major existing industries such as cotton and jute textiles and sugar. The Plan contemplates an outlay of Rs. 150 crores on this account. In regard to consumer goods, the expansion of capacity is to be linked with the production targets for the decentralised sector.

3. In the following paragraphs the progress so far made and the anticipations in regard to the realisation of targets in the public and private sectors are briefly reviewed.

4. INDUSTRIAL PROJECTS IN THE PUBLIC SECTOR

For direct investment in industrial projects in the public sector, the Plan allocated a sum of Rs. 524 crores. In addition, an allotment of Rs. 60 to 65 crores was made in favour of the National Industrial Development Corporation, of which Rs. 35 crores were to be set apart for new basic and heavy industries to be established after investigation by the Corporation. In certain cases, the provisions made were not adequate and had subsequently to be revised upwards. Thus, for the steel plants, the Plan had provided Rs. 350 crores, but the final figure for the outlay required was Rs. 510 crores. The foreign exchange required for the steel plants, which had been initially reckoned at about Rs. 229 crores, was placed at Rs. 302 crores. Particulars of cost, foreign exchange requirements and progress of expenditure in respect of industrial projects in the public sector are given in Annexure I to this section.

5. During the first three years of the Plan, the total outlay on industrial projects in the public sector (including schemes relating to scientific and industrial research) is estimated to be about Rs. 430 crores, of which schemes in the States account for about Rs. 9 crores. During the first two years of the Plan, against budget provisions amounting to about Rs. 267 crores, the expenditure incurred was about Rs. 240 crores.

6. By 1957-58, a number of industrial schemes begun during the First Plan had been completed. These included the DDT plant at Alwaye, expansion of the DDT plant at Delhi, expansion of Hindustan Antibiotics, the Porcelain Insulators scheme at the Government Porcelain Factory in Mysore, Government Soap Factory, Bangalore, the spun-pipe plant of the Mysore Iron & Steel Works, the Bihar Superphosphate Factory and the provision of balancing equipment in the NEPA plant. As a consequence of the completion of these schemes, the capacity for the manufacture of DDT rose by 2,100 tons, of penicillin by 19·2 million mega units and of superphosphate by 33,000 tons. NEPA achieved its full capacity of 30,000 tons of newsprint per annum and capacity for the manufacture of 2,500 tons of insulators was established. The total outlay on these schemes during the Second Plan was about Rs. 3 crores.

7. During 1958-59, the following industrial schemes are expected to be completed:—

	Project	New or additional capacity
1	Expansion of Sindri Fertiliser Factory . .	47,000 tons of nitrogen.
2	First blast furnaces at Bhilai and Rourkela . .	700,000 tons per annum of pig iron forming the first phase.
3	Durgapur Coke-oven project of West Bengal. .	285,000 tons of hard coke.
4	Hindustan Machine Tools, stepping up of production of milling machines and lathes. . .	400 lathes, milling and drilling machines (ultimate capacity).
5	Hindustan Cables Co-axial cables project . .	530 miles of cables and 300 miles of co-axial cables.

These projects entail a total cost in the Second Plan of about Rs. 21 crores and foreign exchange expenditure of over Rs. 12 crores. This is exclusive of the investment on the blast furnaces at Bhilai and Rourkela.

8. The following industrial projects are expected to be fully implemented by the end of the Second Plan:—

	Project	New or additional capacity
1	Bhilai, Rourkela and Durgapur Steel Works**	2·2 million tons of finished steel 600,000 tons of pig iron.
2	Nangal Fertiliser Project	70,000 tons of fixed nitrogen.
3	Mining part of the lignite project	3·5 million tons of lignite.
4	Streptomycin Project under expansion of Hindustan Antibiotics	45,000 Kg. of Streptomycin.
5	Ferro-silicon expansion under Mysore Iron and Steel Works	15,000 tons of ferro-silicon.
6	Porcelain Insulators Project of Bihar	2,000 tons of insulators.
7	Hindustan Shipyard	Expansion of capacity to build 8 to 12 ships per year.
8	U.P. Government Cement Factory—expansion	231,000 tons of cement.

**A few shops, *e.g.* wheel tyre and axle plant expected to be completed in the middle of 1961.

The total cost of these projects during the Second Plan is estimated to be about Rs. 558 crores and foreign exchange expenditure at about Rs. 328 crores.

9. Projects entailing a total cost of Rs. 169 crores and foreign exchange cost of Rs. 107 crores are expected to be completed during the early years of the Third Five-Year Plan. These include the following:—

1. Foundry/Forge Project;
2. Heavy Machinery Project;
3. Mining Machinery Project;
4. Remaining part of expansion of Mysore Iron & Steel Works steel-melting shop and finishing mill, etc.;
5. Thermal power plant and Fertiliser Factory at Neiveli;
6. Fertiliser Factory, Rourkela;
7. Optical glass project;
8. First phase of the Heavy Electrical Project;
9. Raw film project—(NIDC);

10. Intermediates for dyestuffs and drugs (NIDC);
11. Assam Oil Refinery;
12. Alloy & Tool Steel Plant.

10. On account of the shortage of foreign exchange and larger commitments of rupee expenditure for several other projects, the following schemes are likely to be deferred or substantially slowed down:—

1. Carbonised briquettes under the Lignite Project;
2. Bank Note Project;
3. Marine Diesel Engine Project under Hindustan Shipyard;
4. Hindustan Shipyard—Dry Dock;
5. Newsprint from Bagasse (NIDC);
6. Synthetic Rubber (NIDC);
7. Structural, plate and vessel shop (NIDC);
8. Heavy Machine Tools Project (NIDC);
9. Tungsten Carbide (NIDC);
10. Salem Aluminium Plant;
11. Other projects of State Governments.

Together they involve investment of about Rs. 64 crores and foreign exchange expenditure of about Rs. 40 crores.

11. From the foregoing review, it will be seen that the completion of a number of industrial projects in the public sector is likely to be delayed and the benefits from investments on these projects may not materialise before the early years of the Third Plan. On account of this, there will be shortfalls in the targets for certain industries, *e.g.*, fertilizers, heavy castings and forgings. More than any other factor, the foreign exchange difficulties have been responsible for the slowing down of some of these projects. Negotiations for obtaining machinery and equipment on deferred payment or for securing suitable credit facilities from abroad have inevitably led to delays in embarking on projects which could otherwise have been implemented more expeditiously. In spite of these difficulties, however, some major projects in the public sector, *e.g.*, the steel plants and the Nangal Fertiliser Factory are going forward.

12. INDUSTRIAL PROJECTS IN THE PRIVATE SECTOR

The Second Five Year Plan envisaged a total investment of Rs. 685 crores in industries in the private sector. Of this, Rs. 535 crores were to be new investment and Rs. 150 crores were to be for replacements. The total foreign exchange expenditure was reckoned to be about Rs. 320 crores, of which Rs. 250 crores were for new investment. After the formulation of the Plan, targets in certain industries were revised upwards, notably, for rayon, electrical equipment and in the textile industry. Cost of construction and import prices of capital goods also increased. Consequently, the total investment required to fulfill programmes approved for the private sector is estimated to have increased to about Rs. 840 crores in place of Rs. 685 crores and the foreign exchange cost also went up by about Rs. 120 crores.

13. The studies made so far indicate that in the first year of the Plan, the overall investment was between Rs. 135 to Rs. 140 crores and will probably be of about the same order during the second year. There was no difficulty in finding the resources for this investment in 1956-57 as market conditions were favourable in 1955 and 1956 and a considerable increase in raisings from the market was achieved. Further, the Industrial Finance Corporation increased substantially the volume of loans disbursed (Rs. 10·4 crores in 1956-57 as against Rs. 2·2 crores in 1955-56) and substantial foreign capital/loans flowed in for the steel expansion programmes and the Caltex Refinery. It is, however, open to question whether in face of the measures being taken by Government to mobilise resources for expenditure in the public sector, the private sector will be able to raise funds so readily in future.

14. Apart from the overall provision of funds, there is the difficulty of foreign exchange. Considerable foreign exchange commitments were made by the private sector before the first year of the Plan had expired, but with the strict rationing of foreign exchange, which had to be introduced since early 1957, the release of foreign exchange for new investment by the private sector has now been reduced to a mere trickle and is likely to continue at a low level. Another factor which is likely to retard progress is the shortage of power that will probably develop in certain regions owing to the slowing down of power projects on account of foreign exchange difficulties.

15. In all these circumstances, the industrial programmes of the private sector may not be carried out in full. It is difficult to forecast with any precision what the short-falls will be, but some rough estimates can be made of the effects on the programmes of the foreign exchange difficulties. Until recently, releases of foreign exchange were, broadly speaking, being made only in the following classes of cases:—

(i) for industrial projects closely connected with the 'core' of the Plan, *e.g.*, refractories and railway wagon building;

(ii) for projects which are in an advanced stage and for which most of the foreign exchange requirements have already been provided;

(iii) for projects which will definitely earn or save foreign exchange within a very short space of time.

It is not likely that over the next two years, it will be possible to make releases on more generous principles and the principles in force at the present time are in some respects even more stringent. On the other hand, here and there, private enterprise may be able to cover its foreign exchange needs by securing direct inflow of foreign capital. Further in the case of certain industries in the private sector, *e.g.*, the automobile, heavy structural, machine tools, cement, chemical and cotton and jute textile industries, some assistance will be available from the loans recently negotiated in the U.S.A.

16. In the following paragraphs the levels of capacity which seem likely to be achieved in different groups of industries are briefly set out. The bulk of the foreign exchange required for achieving these levels has already been arranged and only some relatively small additional amounts would be required most of which in one way or another seems likely to be forthcoming.

17. *Metallurgical Industries.*—The position in regard to iron and steel, aluminium and ferro-manganese is set out in the following table:—

Industry	Unit	Installed capacity		Capacity likely to be achieved in 1960-61 on the basis of schemes in progress	Further foreign exchange needed for achieving cap city under (5) (Rs. crores)	Furth foreign exchange needed (over & above fig. in col. 6) for achieving targets under col. 3
		Plan target	Present capacity (as at the end of 1957)			
1	2	3	4	5	6	7
Iron & Steel (saleable steel) . .	Mill. tons	2·3	1·3	2·3	Nil	Nil
Aluminium . .	Tons.	30,000	7,500	20,000	1·50*	6·5
Ferro-Manganese .	Tons.	1,70,000	12,000	1,14,000	1·25	1·25 to 1·5

*Likely to be provided by Aluminium Ltd., Canada.

The anticipated shortfall of 10,000 tons in aluminium can be made up only if the NIDC scheme or some other similar scheme is proceeded with for which no plans have yet been finalised.

As regards ferro-manganese, the domestic requirements are estimated to be 60,000 tons so that with a capacity of about 114,000 tons there would be approximately 54,000 tons available for export. The question whether the short-fall in capacity as compared with the target should be made up will have to be considered in the light of possibilities of exporting more than 50,000 tons of this material

18. *Heavy Chemical, Fertiliser and Allied Industries.*—The position relating to 11 industries falling in this group is set out in the following table:—

Industry	Unit	Installed capacity		Capacity likely to be achieved in 1960-61 on the basis of schemes in progress	Further foreign exchange needed for achieving capacity under(5) (Rs. crores)	Further foreign exchange needed (over & above fig. in col.6) for achieving targets under column. 3. (Rs. crores)
		Plan target (revised figures in brackets)	Present capacity (as at the end of 1957)			
1	2	3	4	5	6	7
1. Superphosphate (in terms of P_2O_5) . .	('000) tons	120·0	50	80 (plus 3700 tons of P_2O_5 in the form of Ammonium phosphate	0·4	2·5 to 3·0 (investment on production of alternative phosphatic fertilisers in terms of 36,000 tons of P_2O_5)
2. Sulphuric Acid .	,,	500	252	420	0·3	0·5
3. Soda Ash .	,,	253	108	320	1·0	Nil
4. Caustic Soda .	,,	150	45	124	Neg	1·25
5. Industrial explosives . .	,,	5	Nil	5	Neg	Nil
6. Petroleum refining . .	Million tons crude	4·3	4·3	4·3	Neg.	Nil

1	2	3	4	5	6	7
7. Plastics, synthetic moulding powders .	tons.	12,810	3,730	13,200	0·15	Nil
8. Cement @ .	Mill. tons	16·0*	6·63	9·3	1·8	33·0
9. Refractories .	'000 tons	1,000 (1,250)	498	820	0·5	2·0
10. Rubber manufacture (automobile tyres) .	'000 Nos.	1,450	1,062	1,774	Neg.	Nil
11. *Dyestuffs & Intermediates—Finished dyes* . .	Mill. tons	27·0	11·7	12·0	Neg.	1·0

The Plan targets should be achieved in the case of industrial explosives, petroleum refining, and should be exceeded in the case of soda ash, plastics and rubber manufactures. A target of 120,000 tons of P_2O_5 is given in the Plan for all types of phosphatic fertilisers. The balance over and above the 83,000 tons of superphosphate was intended to be obtained in the form of alternative phosphatic fertilisers like dicalcium phosphate which provides an outlet for the surplus chlorine from caustic soda plants. Not much progress seems likely in this field partly because there is at present no surplus chlorine available. But priority must continue to be given to the production of phosphatic fertilisers which do away with the need of imported sulphur as a raw material. The manufacture of single superphosphate makes heavy demands on foreign exchange for the import both of sulphur and of rock phosphate.

Among miscellaneous chemicals for which programmes of development were formulated under the Plan, the targets of capacity are expected to be achieved in the case of calcium carbide and potassium chlorate. The facilities installed for the manufacture of sodium hydrosulphite are expected to fall below the target.

The shortfall in capacity in the case of the cement industry will be fairly large according to the data given in the table, but it is possible that with assistance from the U.S. Economic Development Fund a capacity of about 11 million tons could be achieved by

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@The figures given against this include capacities of the cement factories of the U.P. Government and of the Mysore Iron & Steel Works.

*Inclusive of the capacity under the public sector, the target approved by Cabinet is 16·0 million tons under the Second Plan. For its achievement, imports of machinery were estimated at Rs. 40 crores.

taking up some fresh schemes. The difficulties and problems in this connection, apart from foreign exchange, are:

(a) The Railway Plan provides for movement of 9·0 million tons of cement only.

(b) Within the 60·0 million tons target for coal, additional allocations of coal for this industry over and above a production level of 10·0 million tons of cement could only be made at the expense of reducing the quota for other consumers.

On the other hand the recent increase in price, shortage of steel and slackening of constructional activity due to monetary difficulties have cumulatively had the effect of slowing down the offtake of cement and production of the order of 10-11 million tons may be more less sufficient for the country's immediate requirements.

In case of refractories, the capacity expected to be achieved seems likely to fall short of the revised capacity target by 430,000 tons. Progress on some projects has been held up in this vital sector on account of delays in the acquisition of leases for raw materials and sanctions for this purpose from some State Governments.

19. *Mechanical Engineering Industries*:—The levels of development expected to be achieved under 11 industries in this group are set out in the table below:—

Industry	Unit	*Installed capacity* Plan target (revised figures in brackets)	*Installed capacity* Present capacity (as at the end of '57)	Capacity likely to be achieved in 1960-61 on the basis of schemes in progress.	Further foreign exchange needed for achieving capacity under (5) (Rs. crores)	Further foreign exchange needed (over and above fig. in Col. 6) for achieving targets under col. 3 (Rs. crores)
1	2	3	4	5	6	7
1. Cotton textile machinery .	Rs. crores	17·00	7·5	10·0	1·5	2·0
2. Jute textile machinery .	Do.	2·5	0·4	1·0	0·10	..

1	2	3	4	5	6	7
3. Cement machinery . .	Rs. Crores	2·0	0·5	0·75	0·25	0·75
4. Automobiles	Nos.	57,000	36,000	60,000 (about 40 per cent indigenous content)	Neg.	12·00 (about 80 per cent indigenous content of vehicles)
5. Sugar machinery . .	Rs. Crores	2·5	0·4	2·5	1·0	Neg.
6. Paper machinery . .	Do.	4·0	Nil	Nil	Nil	2·0
7. Locomotives .	Nos.	100	67	8 per month by 1958	0·5	Nil
8. Wagons .	Do.	25,000	N.A.	25,000	0·6	4·0
9. Structural fabrication .	'000 tons	500	143	289	2·2	
10. Bicycles .	'000 Nos.	895	627	1350	0·3	Neg
11. Diesel Engines (50 HP & above) . .	'000 H.P.	20 to 30	Nil	36	Nil	Neg.]

Most of the programmes for the manufacture of machinery are likely to fall behind schedule and, in the case of cement machinery, the plans of production formulated by A.C.C. in collaboration with certain U.K. firms have received a set-back and may not be undertaken at all during the current plan period.

The capacity for structural fabrication is also likely to fall substantially short of the target, the shortage being particularly marked in respect of medium and heavy structurals.

It was envisaged that the industrial machinery and other engineering projects under the Second Plan would obtain their requirements of heavy castings and forgings from the central foundry and forge shops set up by NIDC. The foundry/forge expected to be established by NIDC will, however, be integrated with the heavy machinery plant proposed to be built with U.S.S.R. assistance. It is now hoped that the needs of the machinery industries in the private sector will be met to some extent by the expansion of existing foundries.

The automobile and ancillary industries will require about Rs. 12 crores of foreign exchange for the import of equipment for the implementation of their phased manufacturing programme over and above the import licences of Rs. 5 crores for capital goods which have already been issued. It is hoped that some of the requirements for the import of components will be met from U.S. Aid.

20. *Electrical Engineering Industries*:—In several of the industries falling under this group the original plan targets were revised in 1956-57. Attention is drawn to the revised targets mentioned in brackets in the table below:—

Industry	Unit	*Installed Capacity*		Capacity likely to be achieved in '60-61 on the basis of schemes in progress	Further foreign exchange needed for achieving capacity under 5	Further foreign exchange needed (over and above figure in col. for 6) for achieving targets under col. 3
		Plan target (revised figures in brackets)	Present capacity (as at the end of 1957)		(Rs. crores)	(Rs. crores)
1	2	3	4	5	6	7
Transformers .	'000 KVA	1500 (2200)	934	1465	0·10	1·0
Motors . .	'000 HP	600 (1200)	339	736	0·10	1·5
Cables & Wires						
ACSR . .	Ton	21570 (30,000)	13,370	23,600	0·13	1·5
VIR & Plastic coated . .	Mill. Yds	334 (500 to 600)	157	242	0·20	
Paper Insulated Power . .	Miles	784 (1500 to 1800)	Nil	1,104	Neg.	
Radio receivers .	'000 Nos	213 (300)	213	300	Do.	Neg.

It will be noted that in almost all cases the targets originally envisaged will be reached or substantially exceeded on the basis of import licences for capital goods already approved. While larger capacities in these fields, would *prima facie* be desirable, additional allocation of foreign exchange for stepping up the capacity further has to be related to the actual tempo of progress in the installation of additional power generating capacity.

It is necessary to bear another consideration in mind in taking a view on further developments in this field. The scarce foreign exchange might justifiably be diverted to the installation of facilities for producing electrical steel sheets, electrolytic grade aluminium and electrolytic copper in preference to further expansion of these electrical industries so that a larger measure of self-sufficiency would be achieved by these industries at the levels of capacity to be reached by 1960-61, through the provision of the raw materials from domestic sources.

21. *Consumer Goods Industries.*—In the table below have been listed almost all consumer goods industries which involve substantial investments under the Second Plan. A few others with negligible investments have also been included.

Industry	Unit	*Installed Capacity*		Capacity likely to be achieved in '60-61 on the basis of schemes in progress	Further foreign exchange needed for achieving capacity under (5) (Rs. crores)	Further Foreign exchange needed (over & above figure in Col. 6) for achieving targets under Col. 3 (Rs. crores)
		Plan target (revised figures in brackets)	Present capacity (as at the end of 1957)			
1	2	3	4	5	6	7
1. Sugar . .	'000 tons	2500	2010	2250	Neg.	10·0
2. Cotton Textiles						
(i) Spindleage .	Mill Nos.	13·621 (14·150)	12·6	14·15	15·00	
(ii) Loomage .	'000 Nos.	203 (221)	..	221		..
3. Paper and Paper board .	'000 tons	450	252	410	1·0	5·0
4. Glass . .	'000 tons	335	295	343	0·2	..
5. *Rayon*						
(i) Filament .	Mill lbs.	68·0 (100·0)	34·0	76·8	1·6	10·0
(ii) Staple fibre	Do.	32·0	32·0	40·0	..	
(iii) Chemical Pulp	'000 tons	30·0	Nil	30·0	Neg	
6. Paints and varnishes .	'000 tons	65·0	65·0	65·0	..	..
7. Vanaspathi .	'000 tons	445	No increase		400	..
8. Vegetable Oils solvent extraction . .	'000 tons	64	17	58	0·5	0·10

The targets for the cotton textile industry were revised after the publication of the Plan when the decision was taken by Government to licence a further 2·1 million spindles and 18,000 automatic looms. The new investment required in this field was thereby raised to Rs. 60 crores as against Rs. 30 crores set out in the Plan. Licences have been issued for all this additional spindleage.

The capacity likely to be achieved in the sugar industry by 1960-61 on the basis of schemes in progress is estimated at 2·25 million tons. The further foreign exchange required for achieving this capacity is negligible.

The paper industry could achieve a capacity of 410,000 tons with the sanction of about Rs. 1·0 crore of additional foreign exchange. This capacity falls short of the target of 450,000 tons, but it may be sufficient to achieve the production target of 350,000 tons.

The rayon industry including nylon is likely to expand its capacity to about 77·0 million lbs. which is in excess of the original target. This overall capacity includes about 4·0 million lbs. of rayon tyre cord filament and 0·48 million lbs. of nylon yarn, part of which is expected to cater to the needs of the fishing industry for modern nets.

Foreign exchange has also been released for plant and machinery for the establishment of a 30,000 ton per year dissolving pulp plant which will reduce partially the dependence of the rayon and staple fibre industry on an imported raw material.

22. The modernisation programmes of the cotton and jute textile industries are an important feature of the industrial plan of the private sector. Stress was also laid in the Plan on the large arrears of replacement to be made good in the sugar industry which were estimated at about Rs. 50 crores. Apart from these and the steel industry, where investments on modernisation were included in the new investment programmes, the funds required for replacements in other sectors of industry were not considered to be very large. It is estimated that about Rs. 35 crores worth of licences for import of machinery for the modernisation programmes of the cotton and jute textile industry will have been sanctioned by the close of the second year of the Plan. The foreign exchange sanctioned for similar programmes of the sugar industry does not appear to be very large. If the original estimate of the overall foreign exchange requirements of the replacement programmes is correct, a balance of about Rs. 35 crores more might still be required. It is difficult to say to what extent this would be forthcoming as it is largely dependent, especially in the case of the cotton and

jute textile industries, on the extent to which the U.S.A. aid and Japanese credit can be utilised for this purpose.

23. It may be useful to attempt to summarise the main conclusions which emerge from the foregoing data regarding the private sector:

(i) It is estimated that with a further release of foreign exchange of about Rs. 32 crores in all, the capacity targets given in column 5 of the tabular statement would be achieved. It seems probable that with small releases of foreign exchange over the next two years coupled with credits that may be available from U.S.A. and Japan for some of these industries the bulk of Rs. 32 crores will be found. A further sum of about Rs. 100 crores of foreign exchange will be required to achieve the Plan targets indicated in column 3 and at present there is no clear prospect of additional foreign exchange of this order becoming available.

(ii) The achievements of the targets under Col. 5 would mean:

(1) There will be a substantial shortfall as against the original targets of capacity in the case of aluminium, ferro-manganese and caustic soda.

(2) The original target of capacity for heavy chemicals (some miscellaneous chemicals and caustic soda excluded) will be substantially achieved but there will be appreciable shortfalls in the case of cement and dyestuffs and relatively smaller shortfalls under refractories.

(3) In the field of engineering industries, there will be shortfalls in respect of structural fabrication and in respect of all types of machinery, except sugar machinery, but the targets for locomotives, wagons and bicycles will be achieved. In the case of automobiles, the manufacturing programme will considerably lag behind the schedule in the achievement of the target of 80 per cent self-sufficiency.

(4) The original targets of capacity in the field of electrical engineering industries will be achieved and even exceeded in certain lines, but some shortfalls in respect of VIR and plastic cables is indicated.

(5) Targets of capacity for consumer goods industries will be achieved except in the case of paper and newsprint, rayon filament and sugar. The original target for the rayon industry will, however, be exceeded and in the case of sugar the production target should be achieved.

On an overall view, it can be very roughly said that about 70—75 per cent. of the original targets of capacity would be achieved.

(iii) The modernisation and replacement programmes will not be carried out in full unless further foreign exchange of the order of Rs. 35 crores is made available. It cannot at present be said whether this will be forthcoming and whether the private sector will be able to put up the required resources particularly if there is a curtailment of the quantum of assistance which it was proposed should be provided by the NIDC for the rehabilitation of the cotton and jute textile industries.

24. The total investment required for the achievement of the capacities shown in Column 5 of the foregoing statements would amount to about Rs. 440—450 crores. If the rest of the manufacturing industries in the organised sector are also taken into consideration, the overall investment which seems likely to be achieved in the light of schemes in progress and substantially covered by import licences would be higher perhaps by about Rs. 30—40 crores. This would bring the total of new investment to about Rs. 475 crores of which the foreign exchange element would be of the order of Rs. 265 crores. Including about Rs. 100 crores expected to be invested on the modernisation and replacement programmes, based on expected supplies of domestic machinery for this purpose and the import licences so far granted, the overall investment in the organised industrial sector will add up to about Rs. 575 crores as compared to Rs. 685 crores envisaged in the Plan. It is considered not improbable that investment on this scale will actually be achieved.

ANNEXURE I

Industrial Projects in the public sector

II(4)

Item	Plan provision		Foreign Exchange		Progress of Expenditure			Total for 3 years 1956-59
	Original	Revised	Original	Revised	1956-57 Actuals	1957-58 Revised	1958-59 Budget	
1	2	3	4	5	6	7	8	9
1. Rourkela			89·00	120·00				
2. Bhilai	350·00	510·00	67·50	85·67	41·35	142·33	160·00	343·68
3. Durgapur Steel Plant			72·00	95·90				
4. South Arcot Lignite Project	52·00	61·00	18·00	26·00	5·02	4·23	7·0	16·25
5. Sindri Fertilisers	7·00	8·40	4·80	5·50	3·48	1·32	1·38	6·18
6. Nangal Fertilisers	22·00	22·00	12·50	12·50	1·79	2·26	4·05	8·10
7. Hindustan Shipyard	9·80	9·80	0·72	0·80	1·47	1·05	1·48	4·00
8. Heavy Electrical Plant (1st phase)	20·00	16·65	..	4·80	0·28	1·21	1·00	2·49
9. Hindustan Machine Tools	2·00	2·36	0·45	0·45	1·20	1·16	..	2·36
10. D. D. T. Factories	1·00	1·20	0·85	0·85	0·24	0·50	0·24	0·98
11. Hindustan Cables	0·50	0·60	0·34	0·34	..	0·20	0·30	0·50

1	2	3	4	5	6	7	8	9
12. Hindustan Antibiotics	1·00	1·00	0·25	0·25	0·50	0·15	0·01	0·66
13. National Instruments factory	0·65	0·65	..	..	0·28	0·19	0·02	0·49
14. Salt Development	2·00	2·00	..	..	..	0·18	0·20	0·38
15. Rourkela Fertiliser factory	8·00	16·00	12·00	12·00	..	..	..	..
16. Industrial Finance Corporation	13·50	22·25	..	..	6·00	9·00	3·00	18·00
17. Security Paper Mill	2·50	2·50	2·50	2·50	..	0·10	0·10	0·20
18. Mysore Iron and Steel Works (Ferro-silicon Plant)	5·95	N.A.	N.A.	N.A.	..	0·05	0·33	0·38
19. N. I. D. C.	55·00	53·00	25·00	38·50	0·25	2·30	3·85	6·40
20. Other Schemes of C. & I. Ministry	15·00	N.A.	N.A.	N.A.	N.A.	..	..	..
21. State Industrial Schemes	21·09	21·09	..	..	1·97	4·04	3·36	9·37
~~22. Hyderabad Praga Tools~~	0·75	N.A.	N.A.	..	N.A.	..	..	..
23. J. & K. Spun Silk Mill	0·70	N.A.	N.A.	N.A.				
~~24. Sugar & Cotton Mills Pondicherry~~	1·00	N.A.	N.A.	N.A.				
TOTAL	591·44	750·50*	305·91*	406·06*	63·83*	170·27	186·32	420·42

*Information for certain schemes (denoted as N. A.) is not included in these totals.

5. DEVELOPMENT OF MINERAL RESOURCES

The main projects in the Second Five Year Plan for the development of mineral resources are the coal production programme, coal washeries, oil exploration and surveys and investigations by the Geological Survey of India and Indian Bureau of Mines. The Plan provided Rs. 72·5 crores for these and related programmes. The total foreign exchange expenditure on account of the mineral development programmes is of the order of Rs. 39·6 crores.

2. Coal production in 1955-56 amounted to 38 million tons and it was proposed to raise it by 22 million tons to 60 million tons. The public sector was to contribute 12 million tons of this additional production and the private sector 10 million tons. The programme in both these sectors is included in the core of the plan.

3. The programme of the public sector was roughly estimated to involve an outlay of Rs. 60 crores including Rs. 12 crores for housing, against which the Plan initially provided Rs. 40 crores. The first two years of the Plan were taken up largely in work of a preparatory character, such as detailed prospecting of selected areas, preparation of project reports, acquisition of unworked areas of old coal leases, placing orders for equipment etc. A total expenditure of about Rs. 12 crores is expected to be incurred in the first three years of the Plan.

4. During 1956-57, coal production increased by about 1.84 million tons, of which the existing State Collieries contributed 0·2 million tons. The target of additional production for 1957-58 was about 3.2 million tons. During the first eleven months of 1957-58, the average monthly production is equivalent to an annual production of 43.3 million tons—representing an increase of about 3 million tons over the level of production in 1956-57. On the basis of present approved programmes the Planning Commission estimates that the public sector will contribute about 8·5 million tons of additional production in the last year of the Plan. The private sector seems likely to achieve its target of 10 million tons and is likely to exceed it as recently it has been agreed that as a cushion against possible shortfalls elsewhere this sector should be permitted to raise an extra 1.4 million tons in the Central India Coalfields. Over the Plan period as a whole in terms of the existing programmes, it appears that there may be a shortfall of 3 to 4 million tons in coal production against the target of 60 million tons.

5. With a view to conserving metallurgical coal, the Plan provided for the setting up of four coal washeries. The coal washing plant at Kargali is expected to be completed and brought into commission by about May 1958 and the remaining washeries are expected to be functioning before the end of the Plan period.

6. Oil exploration has been in progress in different areas since the beginning of the Second Plan. Over the period 1956—59 about Rs. 7 crores are expected to be spent. Work has also been in progress in the West Bengal basin under the Indo-Stanvac Agreement. A decision has recently been taken to form a Rupee Company in partnership with the Burmah Oil Company for exploitation of the Nahorkatiya oil field and for construction and operation of a pipe line. For processing this crude oil, two refineries are proposed to be set up in the public sector. The construction of the pipe line and the establishment of the refineries is to be taken up in two stages. In the first stage, a pipe line will be laid from Nahorkatiya to Gauhati where a refinery with a capacity of about 0 75 million tons is to be established and during the second stage, the pipe line will be extended to Barauni where a refinery with a capacity of about 1.5 to 2.0 million tons will be set up. The Rupee Company (Government's share thereof) and the refinery at Gauhati are expected to involve an outlay of Rs. 24 crores during the current plan period

7. Fairly good progress has been made in the programme for coal prospecting while the progress in the programmes of the expansion of the Geological Survey of India and the Indian Bureau of Mines has been somewhat slow with the result that surveys and investigations have not proceeded as rapidly as was expected.

On present indications, the outlay on the development of mineral resources during the Second Plan is expected to be about Rs. 85 crores.

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6. TRANSPORT AND COMMUNICATIONS

RAILWAYS

The total provision for railways in the Second Plan is Rs. 1125 crores including Rs. 225 crores on account of depreciation. The foreign exchange element of the programme is estimated at Rs. 425 crores.

2. Though it was estimated that the additional freight traffic by the last year of the Second Plan might amount to about 61 million tons, bringing the total traffic to be carried to 181 million tons, the Plan provides for moving only the following additional freight traffic.

	Million tons
1. Coal	13
2. Steel including raw materials but excluding Coal	18
3. Cement	4
4. Miscellaneous traffic	7
TOTAL	42

3. The Plan also provides for an increase of 3 per cent per annum in passenger traffic. It was not expected that this provision would help to relieve overcrowding.

4. The programmes drawn up within the provision of Rs. 1125 crores are now estimated to cost Rs. 100 crores more than this sum owing to a rise in prices. It is not, however, possible to raise the existing provision of Rs. 1125 crores and so some of the projects in the Railway Plan may have to be postponed on this account and also because of foreign exchange difficulties. Some of the projects which are envisaged for postponement are as follows:—

(1) Electrification schemes connected with Tambaram-Villupuram section and Sealdah Division in the Calcutta area

(2) Metre Gauge Coach Factory.

(3) Integral Coach Factory—furnishing unit.

(4) New Line between Guna and Ujjain.

The Railway Board have also agreed to put forward proposals for saving Rs. 48 crores in foreign exchange. These are still awaited.

5. As regards the fulfilment of targets, it is expected that the Railways will be able to carry 42 million tons of additional freight traffic by 1960-61. Whether this will be adequate cannot be said with certainty. The slowing down in the tempo of development owing to foreign exchange and other difficulties may result in the additional traffic to be carried by the last year of the Plan being less than the original estimate of 61 million tons, but it may be more than 42 million tons. There is in any case likely to be some change in the composition of the traffic to be carried as compared with what is envisaged in the Plan. For instance, the demand on the railways for the movement of coal may be somewhat less than provided for in the Plan and that for the movement of miscellaneous traffic may be greater.

6. The target in respect of passenger traffic *viz.* provision for an increase of 3 per cent per annum is also likely to be fulfilled. However, the percentage increase in passenger traffic in 1956-57 over 1955-56 was as much as 6·7. If such a trend continues the problem of overcrowding will get worse.

7. The total Plan provision for railways, the estimated outlay during the first 3 years and the estimate of expenditure in the last

two years of the Plan are shown below:—

(Rs. crores)

Item	Plan provision	Expenditure 56-57	Expenditure 57-58 (R.E.)	Budget provision 58-59	Estimated Expenditure 56-59	Estimate 1959-61	Total for 56-61
Railways	900·00*	134·00	190·00	215·00	539·00	357·50	896·50

* Excludes Rs. 225 crores to be available from the Railway Depreciation Fund. The Plan provision of Rs. 900 crores includes Rs. 3·5 crores for Vizag Port but the expenditure figures do not include anything on account of Vizag. The administrative control of the Vizag Port was transferred from the Ministry of Railways to the Ministry of Transport w.e.f. 1-10-56.

SHIPPING

8. A provision of Rs. 45 crores was made for Shipping in the Second Plan including Rs. 8 crores to meet the orders placed during the First Plan period. The entire amount has already been committed and the tonnage likely to be acquired as a result of these commitments is only about 1,80,000 GRT against a Plan target of 3,90,000 GRT, including 90,000 GRT for replacement of obsolete ships. To reach the target an additional sum of about Rs. 45 crores would be required.

9. Recently it has been agreed to set up a Shipping Development Fund for financing the acquisition of additional tonnage in the remaining Plan period. This Fund will be made of (a) Rs. 7 crores which are expected to be available from the repayments of loans (including interest) already advanced to the Shipping Companies; and (b) annual contributions from General Revenues to be determined from year to year. The amount of additional resources that will be available for shipping will depend upon the contributions to this Fund in the rest of the Plan period. It is uncertain, however, that the contributions will be sufficient to enable the target laid down in the Plan to be reached.

10. The following table shows the Plan provision for Shipping, the estimated outlay in the first 3 years of the Plan period and the likely expenditure in the last two years of the Plan:—

(Rs. crores)

Item	Plan provision	Expenditure 56-57	Expenditure 57-58 (R.E.)	Budget provision 58-59	Estimated Expenditure 56-59	Estimate 1959-61	Total for 56-61
Shipping	45·00*	8·97	9·42	9·88	28·28	26·00	54·28

* Excludes provision for Sailing Vessels Industry, Marine and Nautical Engineering Colleges and Andaman Shipping.

PORTS

11. A provision of Rs. 43·5 crores was made in the Second Plan for the development of the major ports of Calcutta, Bombay, Madras, Vizag, Cochin and Kandla, but the total cost of the port programmes approved for inclusion in the Plan was Rs. 79·9 crores as it was expected that some additional funds would be available from the ports' own resources. The ports' own contributions are now estimated at about Rs. 18 crores, but the estimated cost of the ports' programme has been revised upwards and is reckoned at about Rs. 100 crores. Thus, there is a considerable gap between the resources available and the financial outlay required for the programmes envisaged.

12. The foreign exchange element in the programmes costing Rs. 100 crores is of the order of Rs. 35 crores. The financing of the programmes is linked with expected loan assistance from the World Bank. Some assistance for the Vizag port may also become available from the U.S. President's Asian Development Fund. Even with this assistance, however, it will not be possible to carry out the original programmes in full. The various items have recently been reviewed with a view to determining priorities, but it will not be possible to reach final decisions till the World Bank's intentions are known. Some of the long term projects which may have to be retarded are the Minimum Scheme at Bombay, the Fulta-Hooghly River Training Works and the new Marshalling Yard at Calcutta, the Wet Dock Scheme at Madras and the equipping of new berths at Kandla.

13. The Plan envisaged raising the handling capacity of the ports from about 25 million tons to 33 million tons. It is considered, that, despite the probable postponement of some long term projects the programmes already undertaken and those which are likely to be taken up will enable the tonnage capacity envisaged to be achieved.

14. The following table shows the Plan provision for ports, the estimated outlay in the first 3 years and funds which it is estimated, may be possible to make available in the last two years.

(Rs. crores)

Item	Plan provision	Expenditure 56-57	Expenditure 57-58 (Revised Estimate)	Budget provision 58-59	Estimate Expenditure 56-59	Estimate 59-61	Total 56-61
Major Ports	40·00* (18·00) @	8·01	8·29	9·00	25·30	18·20	43·50 (18·00)@

* Excludes the provision of Rs. 3·5 crores for Vizag Port which was originally included in the Railway Plan.

@ An amount of about Rs. 18 crores is expected to be available for the port's programme in the Second Plan from the Ports' own resources.

ROADS

15. There is a provision of Rs. 246 crores for Road Development in the Second Plan in addition to Rs. 25 crores to be drawn from the Central Road Fund. Of this sum, Rs. 94·7 crores have been provided in the Plan of the Ministry of Transport for the Central road programme (including Union Territories) and Rs. 151·4 crores in the State Plans. The Plan provides for the construction of about 20,000 miles of surfaced roads, besides construction of major bridges, missing links, improvements, etc.

16. The expenditure during 1956-57 on the entire road programme was Rs. 42·71 crores and the revised estimate for 1957-58 is Rs. 44·32 crores. The budget provision for 1958-59 is Rs. 42·23 crores. Thus the total estimated expenditure in the first 3 years of the Plan works out to Rs. 129·26 crores, leaving a balance of Rs. 116·86 crores for the subsequent two years. It seems improbable, however, that in the last two years it will be possible to make budget allotments equal to this amount. Furthermore, shortage of steel is likely to retard the construction of bridges. Some shortfall in the total programme is, therefore, to be expected.

17. The following table gives the Plan provision for Central and State road programmes, the estimated outlay in the first 3 years and the estimated expenditure in the last two years:—

(Rs. crores)

Item	Plan provision.	Expenditure 56-57	Expenditure 57-58 (Revised Estimate)	Budget provision 58-59	Estimated Expenditure 56-59	Estimate 59-61	Total for 56-61
1. Central programme (excluding Union territories) .	82·00	14·23	13·15	12·67	40·05	29·00	69·05
2. State Plans (including Pondicherry and Union territories) .	164·12	28·48	31·17	29·56	(1) 87·21	63·00	150·21
TOTAL	246·12	42·71	44·32	42·23	127·26	92·00	219·26

(1)Includes anticipated outlay of Rs. 27·56 crores for 1958-59.

COMMUNICATIONS AND BROADCASTING

18. There is a provision of Rs. 110 crores for the development of Communications in the Second Plan. The foreign exchange content of the programme is estimated at about Rs. 51 crores as detailed below:—

(Rs. crores)

	Total Cost	F.E. content
1. Posts and Telegraphs Deptt.	63·00	17·89
2. Indian Telephone Industries	0.50	0·70*
3. Overseas Communications Service	2·00	1·10
4. India Meteorological Department	1·50	0·84
5. Civil Aviation Department.	12·50	5.68
6. Indian Airlines Corporation.	16·00	7·75
7. Air India International	14·50	16·82@
	110·00	50·78

*This is against the estimated expenditure of Rs. 218 lakhs a part of which has to be met from the Industries' own resources.

@This includes a certain amount to be met from the Corporation's own resources.

So far as the Department of Posts & Telegraphs is concerned, the main schemes are those relating to the Local Telephone Service (Rs. 29 crores) and Trunk Cables and Carrier Cables (Rs. 8·5 crores). These two schemes involve a considerable amount of foreign exchange. As regards the Local Telephone Service, it was expected that 1,80,000 new telephones would be installed during the Second Plan period. However in view of the relatively low priority that is being attached to this scheme, its progress will be retarded owing to foreign exchange difficulties. So far as the scheme relating to trunk cables and carrier cables is concerned, the foreign exchange requirement is estimated at Rs. 5·20 crores. This amount, however does not fully take into account the requirements of the Posts and Telegraphs Department in respect of the railway electrification schemes. In view of the high priority attached to the railway electrification scheme, foreign exchange for that portion of the trunk cables scheme which is interlinked with railway electrification will have to be provided.

19. The production programme of Indian Telephone Industries is co-related with the scheme for Local Telephone Service and, therefore, slowing down of that scheme will have repercussions on the programme of Indian Telephone Industries.

20. As regards Overseas Communications Service and the India Meteorological Department, their programmes will be retarded owing to foreign exchange difficulties.

21. In the case of the Civil Aviation Department, a provision of Rs. 12·5 crores was made in the Plan, but subsequently a scheme for the improvement of the runway at Santa Cruz, Bombay, in order to accommodate the Boeing 707 Jet Aircraft was approved at an estimated cost of Rs. 4 crores. While some of the schemes relating to Civil Aviation may have to be staggered due to lack of foreign exchange, the entire provision made for the programme may well be expended owing to the additional requirements of the runway scheme.

22. The programme of the two Air Corporations may be expected to go through in full. Air India International have already secured some foreign loan assistance for purchase of aircraft which was the major item of their programme. In the case of I.A.C. also full commitments have already been entered into for purchase of aircraft.

BROADCASTING

23. The total provision in the Plan is Rs. 9 crores and the foreign exchange content of the programme is Rs. 3·52 crores. The total expenditure in the first 3 years of the Plan is likely to be Rs. 3·92 crores. On account of foreign exchange difficulties, the programme will have to be staggered and certain schemes, *e.g.*, the installation of new transmitters and studios and of television facilities may have to be postponed.

24. The following table gives the Plan provision, the estimated outlay during the first 3 years and the estimated expenditure during the last two years of the Plan in respect of Communications and Broadcastings:—

(Rs. crores)

Item	Plan provision	Expenditure 56-57	Expenditure 57-58(Revised Estimate)	Budget provision, 58-59	Estmated Expenditure 56-59	Estimate 59-61	Total 56-61
1. Communications	110·00	18·50	20·14	21·77	60·41	37·00	97·5
2. Broadcasting	9·00	1·45	1·17	1·30	3·92	2·50	6.5

7. CORE PROJECTS

As mentioned in Chapter I, it became necessary early in 1957 to define strict priorities among projects requiring foreign exchange so as to ensure the implementation of certain essential projects which could be regarded as constituting the 'core' of the Plan. The projects included in the 'core' are the steel plants and the coal and lignite programmes both in the public and private sectors, the programmes of the railways and major ports, and certain selected power projects over and above those already covered by foreign aid.* The detailed list of those projects is given in Annexure I, to this section.

'Core' projects in the public sector entail a total expenditure during the Plan period of about Rs. 1,900 crores, of which it is expected that about Rs. 1,130 crores will have been incurred during the first three years.

The total foreign exchange cost of all the 'core' projects in both the public and the private sectors is about Rs. 962 crores. The details of this amount, the foreign exchange expenditure already incurred or committed and the further commitments still required to be made are shown in the following table:—

(Rs. crores)

Projects	Total foreign exchange cost in the second plan	Expenditure incurred or committed as on 31-3-1958	Fresh commitments necessary for completing the programme
Steel			
(a) *Public Sector*			
(i) Bhilai Steel Plant	85·67	80·68	4·99
(ii) Rourkela Steel Plant	120·00	107·35	12·65
(iii) Durgapur Steel Plant	95·90	90·90	5·00
(iv) Ferrosilicon plant under the Mysore Iron & Steel Expansion programme	0·65	0·65	..
(b) *Private Sector*	86·35	74·43	11·92

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* The power projects for which external assistance is available are shown in Annexure III of the Section on Irrigation and Power.

Project	Total foreign exchange cost in the second plan	Expenditure incurred or committed as on 31-3-58	Fresh commitments necessary for completing the programme
Coal			
(a) ***Public Sector***			
(*i*) N. C. D. C.	15·0	5·83	9·17
(*ii*) Singareni collieries	3·25	1·85	1·40
(b) ***Private Sector***	10·00	3·30	6·70
Washeries	7·50	2·50	5·00
Neiveli Lignite Project (Mining part only)	10·50	6·70	3·80
Railways			
(Schemes requiring foreign exchange)	431·63*	258·00*	173·63*
Ports			
(Bombay, Calcutta, Madras and Vishakhapatnam and the Dredger Pool)	35·00	8·89	26·11
Power Projects	60·40	24·40	36·00
	961·85	665·48	296·37

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* This is inclusive of Rs. 6·62 crores of P & T requirements in connection with Railway electrification.

It will be seen that of the further commitments still to be made the requirements of the Railways form by far the largest single item. The figures in respect of Railways and the ports relate to the entire programmes as included in the Plan. These were originally treated as part of the 'core' without any curtailment, as it was believed that assistance would be forthcoming from the World Bank to cover a substantial portion, if not the whole, of the foreign exchange required for them. It now seems that, though the World Bank assistance is likely to be considerable, it will not be sufficient to meet in full the outstanding foreign exchange requirements on account of these programmes. Recently, therefore, they have been carefully reviewed in order to reduce the additional foreign exchange requirements to the minimum without seriously affecting the capacity of railways and ports to handle the additional traffic arising out of the Plan. As a result of this review it is considered that a saving of about Rs. 30—40 crores of foreign exchange might be possible by postponing some of the less essential projects under the Railway Plan but without affecting the capacity of the Railways to carry 42 million tons of additional traffic by 1960-61. Similarly, in the case of the ports, some of the long-term projects may have to be retarded, but it is hoped that the programmes already undertaken and those which are likely to be taken up with World Bank assistance will enable the tonnage capacity of 33 million tons envisaged in the plan to be achieved.

The foreign exchange requirements of other 'Core' projects, amounting in all about Rs. 80·0 crores, will not admit of any reduction without serious repercussions on the projects themselves. Every effort is, therefore, being made to utilise such foreign assistance as has been offered for meeting in the first instance the requirements of these core projects. Any foreign exchange for 'core' projects which cannot be found in this way will be met from our own foreign exchange balances.

ANNEXURE

List of Core Projects

I. PUBLIC SECTOR

1. *Steel:*

   (i) Rourkela Steel Plant;
   (ii) Bhilai Steel Plant;
   (iii) Durgapur Steel Plant; and
   (iv) Mysore Iron & Steel Works (Ferro-silicon Expansion).

2. *Coal and Lignite:*

(a) National Coal Development Corporation Scheme.

   (i) Kathara
   (ii) Korba (Open cast).
   (iii) Korba (inclines)
   (iv) Gidi.
   (v) Saunda.
   (vi) Korea
   (vii) Existing State Collieries.

(b) Singareni Collieries.
(c) Coal Washeries.
(d) Neivli Lignite Project (mining part).

3. *Railway Development Programme (including the requirements of the Posts and Telegraphs Department in connection with the railway electrification programme):*

4. *Ports Development Programme:*

   (i) Bombay.
   (ii) Calcutta.
   (iii) Madras.
   (iv) Vishakhapatnam.
   (v) Dredger Pool.

5. *Power Projects:*

   (i) Korba Thermal Station (Madhya Pradesh).
   (ii) Khaper-Kheda Akola Thermal Station Extensions (Bombay).
   (iii) Hirakud Project (II stage) (Orissa).
   (iv) Lakkavalli (Bhadra) Project (Mysore).

(v) Bhakra-Nangal H. E. Project (Punjab and Rajasthan).

(vi) Chambal Project (first stage) (M.P. State/Rajasthan).

(vii) Rihand Project (Uttar Pradesh).

(viii) Tungabhadra H.E. Scheme (Mysore).

(ix) Nariamangalam H.E. Scheme (Kerala).

(x) Thermal Stations in Saurashtra region (Bombay).

(xi) Ganderbal & Mohra Power Stations (Jammu & Kashmir).

(xii) Power Transmission, distribution and extension schemes (sub-stations equipment, conductors, switchgears, underground cables, steel for supports, ground water meters etc.).

II. PRIVATE SECTOR

1. *Steel*:

(i) Tata Iron & Steel Works.

(ii) Indian Iron & Steel Works.

2. *Coal*:

8. SOCIAL SERVICES

In each phase of economic development, the allocation of resources for social services is an issue of central importance. During periods when large-scale industrial programmes are undertaken, it is essential to provide adequately for the development of social services, so that disparities in opportunities and in living conditions do not widen and larger numbers are enabled to take advantage of the new developments. In the field of social services, resources contributed by Government have to be supplemented in varying degrees by resources provided by individuals, local communities and voluntary groups. It is the essence of the democratic method that all these sources should be called into action to the utmost of their capacity. Under the Second Five-Year Plan, the resources to be provided by the Central and State Governments amounted to Rs. 945 crores or 19·7 per cent of the total outlay under the Plan. Of this amount, Rs. 459 crores were shown against State Plans and Rs. 396 crores at the Centre. Except for Rehabilitation, which is financed as a wholly Central responsibility, a large proportion of the allotment at the Centre under Education, Health, Housing etc. is intended to be spent in the States and through State Governments on schemes sponsored by the Central Government. The distinction between Central and State allocations for social services is, therefore, intended mainly to provide for a degree of emphasis on certain programmes which are conceived to be necessary from an overall point of view.

2. Since the commencement of the Second Five-Year Plan, it has been realised that within a total outlay of Rs. 4,800 crores it would be necessary to undertake a measure of reallocation between different sectors, so as to provide the minimum additional funds needed for the development of large and medium industries and mineral resources. The additions have to be found by corresponding adjustments under certain other heads. In making these adjustments, the aim has been to keep reductions in allocations in the States and in respect of social services to the smallest magnitudes feasible. The statement below sets out the original Plan allocations

and those now proposed for different heads in the social services group:—

(Rs. crores)

Head of development	Five-Year Plan allocations (Original)			Five-Year Plan allocations (Revised)		
	Total	Centre	States	Total	Centre	States
1	2	3	4	5	6	7
1. Education	307	95	212	285	75	210
2. Health	274	90	184	255	75	180
3. Housing	120	47	73	100	27	73
4. Welfare of Backward classes	91	32	59	83	24	59
5. Rehabilitation	90	90	..	90	90	..
6. Social Welfare, Labour and Labour Welfare and Educated unemployment schemes	63	42	21	50	30	20

The total allocation for social services proposed above will now constitute 18 per cent of the Plan outlay in place of the original 19·7 per cent. In the States, however, the allocations proposed for social services will be maintained at the same level as in the original Plan, namely, 24·5 per cent of the total States' allocation. If commitments under the Plan are limited to a total outlay of Rs. 4,500 crores, it is hoped that the outlay on social services will not be allowed to fall below 18 per cent of the total Plan outlay and below about 25 percent of the outlay in the States.

EDUCATION

3. The outlay on Education has risen from about Rs. 23 crores in 1956-57 to about Rs. 37 crores in 1957-58; about Rs. 50 crores have been provided in 1958-59. The actual outlay by the end of the third year is expected to be Rs. 109 crores against an initial Plan allocation of Rs. 307 crores. The outlay at the Centre may amount to Rs. 27 crores and in the States to Rs. 82 crores. Progress in the field of education depends largely on the personnel available and on the funds provided from year to year. While the total funds available have not been commensurate with the provisions in the Plan, there has been a steady increase under all heads. The increases have been specially marked in respect of elementary education and technical education. When the Second Plan was drawn up, it was expected that the number of additional pupils for whom school

facilities would become available would be about 7·7 million in the age-group 6—11, 1·3 million in the age-group 11—14, and nearly 8 lakhs in the age-group 14—17. It is anticipated that by the end of the third year of the Plan, the additions achieved in these groups might be of the order respectively of 6 millions, 800,000 and 700,000. The number of institutions has also been increasing rapidly. The following statement shows the progress anticipated in school education during the first three years of the Plan:—

Item	Unit	5-Year Plan target	Progress 1956-57	Anticipated progress (1957-58)	Provisional target (1958-59)	Total for three years 1956-59
1	2	3	4	5	6	7
I. *School facilities for different age-groups*:						
6-11	lakhs	77·28	20·00	21·25	22·50	63·75
11-14	,,	12·93	2·70	3·00	3·35	9·05
14-17	,,	7·67	2·60	2·60	2·60	7·80
II. *Institutions*						
Primary schools .	Total	52,762	22,200	23,600	25,000	70,800
Junior Basic .	No.	27,440	2,650	4,700	6,700	14,050
Middle schools Senior Basic .	,,	3,455 5,926	1,350 229	1,500 666	1,675 800	4,525 1,695
High/Higher Secondary schools	,,	1,525	1,440	1,440	1,440	4,320
Multipurpose .	,,	837	117	133	150	400

4. The statement reflects to some extent the increasing desire in all areas for the spread of educational facilities as well as the results of action taken by States, local bodies and in national extension service and community project areas.

For technical education, the allotment of Rs. 43 crores under the Plan was raised subsequently to about Rs. 57 crores, the increase being secured within the Plan ceilings for education. Outlay over the first three years is likely to be about Rs. 22 crores. The proposals of the Engineering Personnel Committee contemplated a total addition of 2,794 seats for degree courses and of 8,221 seats for diploma courses. These increases were to be achieved through the expansion of existing institutions and the setting up of 18 new colleges and 62 new diploma institutions. The proposals of the Engineering Personnel Committee were later reviewed in detail in consultation with the All-India Council of Technical Education and its regional organisations. The targets fixed for the plan period and the progress anticipated during the first three years of the Plan are given below. It will be seen that the present targets are higher than those earlier proposed.

	1956-61 Plan targets		1956-57 Progress	1957-58 Progress	1958-61 Provisional targets
	Original	Revised (Est.)			
1	2	3	4	5	6
Engineering Colleges					
Number	8	16	8	2	6
Additional intake . .	1010	5488	840	2646	2002
Polytechnics					
Number	23	55	11	12	32
Additional intake . .	2600	11796	1320	5670	4806

5. The expansion of elementary education, especially in rural areas, can proceed more rapidly than was envisaged in the Plan if a sufficient supply of teachers is made available. Against the target of 234,000 primary teachers, the likely increase over the first three years is a little less than 200,000. The demand for teachers has been growing at a pace which inevitably tends over the short period to reduce the proportion of those who have received training. It is believed that the proportion of trained teachers which stood at about 61 per cent in 1955-56 declined by about 1 per cent during the first two years of the Plan. The increase in the number of primary teachers was due specially to the schemes for the appointment of 80,000 additional teachers which was introduced in 1954-55 and 1955-56 partly with a view to increasing educational facilities and partly as a measure of relief for educated unemployed persons. To meet the growing demand for education and also to provide further relief to educated unemployed persons, it is proposed to introduce with effect from 1958-59 a new scheme for the appointment of 60,000 additional primary school teachers. Of these, 15,000 are to be appointed in 1958-59, 20,000 in 1959-60 and 25,000 in 1960-61.

6. As stated earlier, against the original allotment of Rs. 307 crores for Education it is proposed now to provide Rs. 285 crores. It is proposed that within a total of Rs. 4500 crores, commitments on Educational schemes over the Plan period might be limited to Rs. 275 crores.

HEALTH

7. Against a Plan allocation of Rs. 274 crores, the total outlay on health programmes over the first three years is likely to be about Rs. 108 crores of which Rs. 68 crores will be in the States and about Rs. 40 crores at the Centre. At the Centre, the important provisions include malaria control, urban water supply and sanitation, medical education and family planning. In the States, the principal items are hospitals and dispensaries, urban and rural water supply and sanitation, control of diseases and training programmes.

8. During the First Plan, in urban areas, 228 water supply schemes and 61 drainage schemes were sanctioned. In rural areas, 134 schemes were approved. Together, these water supply schemes entailed a total exceeding Rs. 80 crores. Consequently, the bulk of the expenditure was carried over into the Second Plan and almost all the schemes now in progress are those which were begun or approved two or three years ago. The total outlay on urban water supply and sanitation during the first three years, amounts to Rs. 25 crores and on rural water supply to about Rs. 12 crores. A review of the urban water supply and sanitation programme now envisaged for the next three years is called for with a view to phasing commitments for the future. Under present conditions without such a review being undertaken, it is not possible to consider any new schemes, however essential they might be.

9. For the malaria control programme under the Second Plan, the outlay during 1956-58 was about Rs. 12·5 crores. A decision has recently been taken to change over from a programme for control to a programme for eradication of malaria. This change-over became possible on account of additional resources being made available from a special fund under the Indo-U.S. Technical Cooperation programme. The eradication programme aims at concentrated measures over a limited period in all known malarious areas and it is considered to be a more effective and lasting approach to the malaria problem than the control programme. It involves, however, a substantial increase in the amount required for its completion. The total sum now needed over the plan period for meeting out the cost of the control programme for the first two years and of the eradication programme for three years is about Rs. 55 crores. Of the additional amount, about one-half is covered by external assistance. The programme has been incorporated in the State Plans for 1958-59.

10. The Second Plan provided for the establishment of about 3000 primary health units, of which 1120 were to be set up in community development blocks and the rest in national extension blocks. About 900 primary health centres have been established during the first two years of the Plan. The programme will need to be reviewed in line with the rephasing of the community development programme which is at present under consideration.

11. Since the commencement of the Plan, proposals for setting up 9 new medical colleges and expanding 14 existing medical colleges have been approved. Admissions in 1958-59 are expected to be of the order of 4600 as compared to 3500 before the commencement of the Plan.

12. It was proposed to set up about 2500 family planning centres during the current Plan. At the end of 1957-58 about 535 centres have been set up and the Plan for 1958-59 provides for the establishment of 400 more centres.

13. The revised allocation for health programmes is Rs. 255 crores and within a total of Rs. 4500 crores commitments may be limited to Rs. 245 crores.

HOUSING

14. The Second Five-Year Plan made an allocation of Rs. 120 crores for Housing. The outlays proposed and the physical targets under the main schemes were as follows:—

Description	Original Plan cost (Rs. Crores)	Five-Year Plan target
Subsidised Industrial Housing Scheme	45	1,28,000
Low Income Group Housing Scheme	40	68,000
Plantation Labour Housing Scheme	2	11,000
Slum Clearance and Sweepers' Housing Scheme. . . .	20	1,10,000
Village Housing Projects Scheme	10	1,33,000
Middle Income Group Housing Scheme	3	

15. The total outlay over the first three years is about Rs. 40 crores. Under the subsidised industrial housing scheme, the programme for the three years 1956-59 involves the construction of 42,600 units, under the low income-group housing scheme of 32,300 units and under the slum clearance and sweepers' housing scheme of about 22,000 units. The village housing projects scheme is being introduced effectively only from 1958-59.

16. As explained earlier, the revised allocation for housing will be Rs. 100 crores or Rs. 20 crores less than the original allocation. Within a total of Rs. 4500 crores, commitments on housing are expected to be limited to about Rs. 84 crores. This may include about Rs. 64 crores in the States and Rs. 20 crores at the Centre, the amount being distributed as follows:—

(Rs. crores)

Scheme	*Centre*	*States*
Subsidised Industrial Housing Scheme	2·5	24·5
Rural Housing Scheme	6·0	0·2
Slum Clearance Scheme	11·5	4·0
Plantation Labour Housing Scheme	..	0·6
Low income Group Housing Scheme	..	35·0

Outlays at the levels indicated above would imply that the various housing programmes would proceed relatively slowly during the remaining years of the Plan and that the allotments made for 1958-59 could be improved upon only to a small extent. In housing schemes, including slum clearance programmes, although allotments are made from year to year, in point of facts substantial commitments are carried into the future. It is essential therefore that, keeping in view of the heavy demands which are likely to arise under several other heads in the Plan, commitments in relation to housing during the plan period should now be based broadly on the level of outlays indicated above.

OTHER SOCIAL SERVICES

17. For programmes for the welfare of backward classes, the Plan allotted Rs. 91 crores, of which Rs. 59 crores were provided in the States and Rs. 32 crores at the Centre. The outlay during the period 1956-59 is expected to be about Rs. 35 crores. The revised allocation is Rs. 83 crores, the allocation for the States being maintained at Rs. 59 crores. Within a Plan of the total outlay of Rs. 4500 crores, commitments for the welfare of backward classes are expected to be of the order of Rs. 72 crores, of which Rs. 53 crores may be in the States.

18. For social welfare, labour and labour welfare and educated unemployment schemes, the outlay over the first three years comes to about Rs. 15 crores. It is proposed to reduce the allocation for this group of social services for the five-year period from Rs. 63 crores to Rs. 50 crores. Taking all factors into consideration, it is expected that the outlay would be limited to about Rs. 44 crores. Special mention should be made of the decision recently taken to raise the target for the plan period for the training of craftsmen from 30,000 to 50,000.

19. For the rehabilitation of displaced persons, the Plan allocated Rs. 90 crores. Since the programme now includes expenditure on the Dandakaranya scheme for the rehabilitation of displaced persons from East Pakistan in Madhya Pradesh and Orissa and for the resettlement of the local tribal population in the areas which are reclaimed, the allocation is being maintained and outlays are also expected to be of this order.

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